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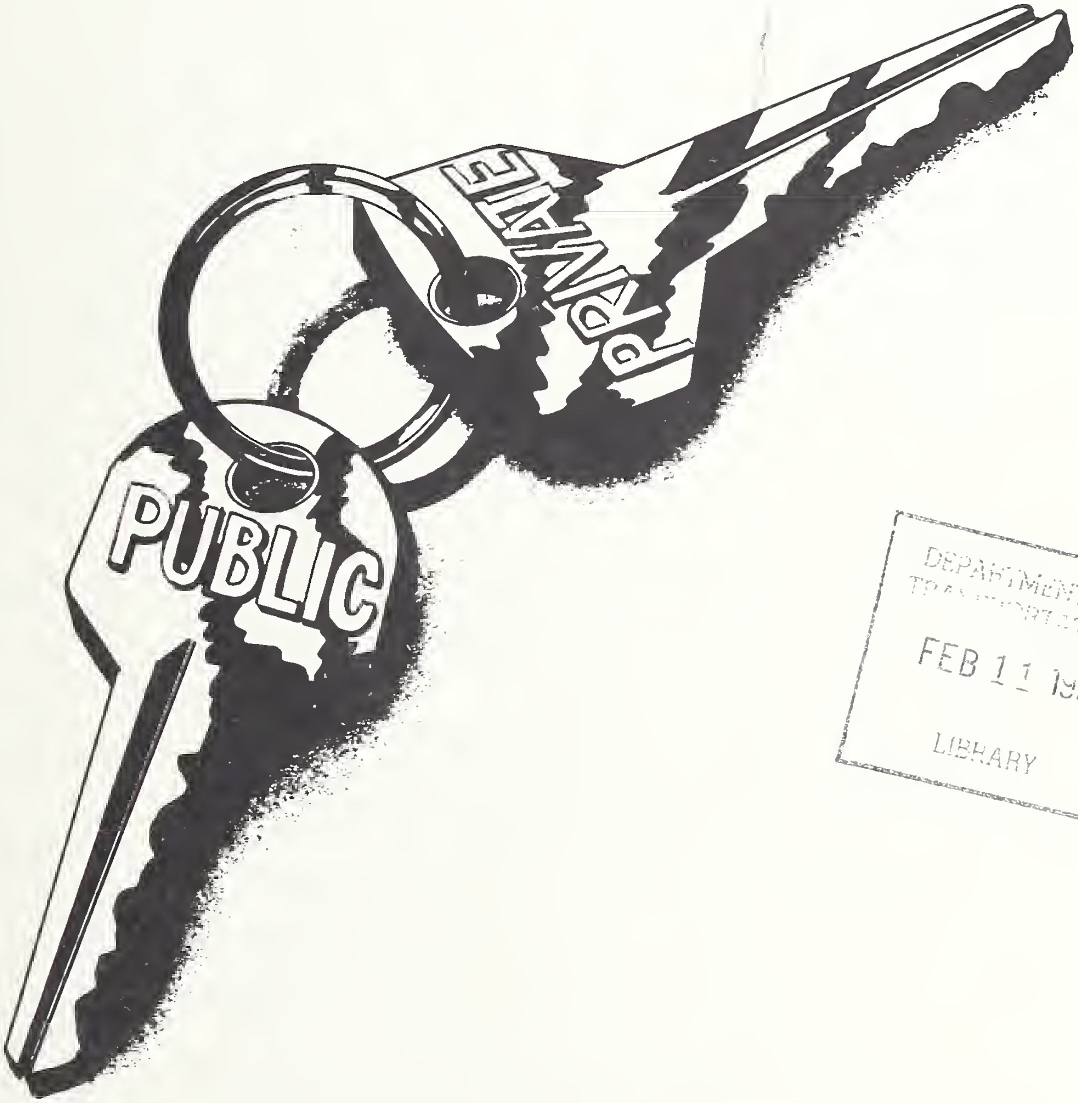
Innovative Public—Private Sector Resource Management in Public Transportation

Results of Two 1982 Sessions



Innovative Public—Private Sector Resource Management in Public Transportation

Results of Two 1982 Sessions

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Prepared for
Urban Mass Transportation Administration
Washington, D.C. 20590
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Washington, D.C. 20590

Distributed in Cooperation with
Technology Sharing Program
Office of the Secretary of Transportation

DOT-I-85-17

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* Dr. Milione was with the Office of Service and Management Demonstrations, Urban Mass Transportation Administration while coordinating and reporting on Conference activities.

FOREWORD

It is becoming increasingly clear that the public sector by itself is not able to assume the enormous financial burden necessary to the development of new capital-intensive transit systems, the extension and major improvement of existing systems, or the ever-increasing costs of operation. Although current government strategy aims to pass the responsibility of transit to other providers, budgetary restraints are resulting in a greater demand for cost-effective and flexible approaches to meet transit needs.

Over the last few years there has been increased interest in involving the private sector in public transportation. Many innovative ways are being tried to involve private enterprise in transit activities. Public and private groups are forming unique partnerships from which both benefit. Yet there are still as many barriers to overcome.

With these thoughts in mind, the public transportation committees of the Transportation Research Board's (TRB) Section E convened a meeting at the University of Virginia, Charlottesville, August 8-11, 1982. Sponsored by TRB in cooperation with the Urban Mass Transportation Administration, the conference was the tenth in a series of midyear meetings. Although attendance was at first limited to TRB committee members, many others hearing of it asked to come--underscoring the growing importance and timeliness of this subject.

The objectives of the conference were to exchange technical information; to identify changes in program direction, emphasis, or procedures that would enhance public transportation; and to conduct committee business. In essence, the conference explored how to generate private-sector financing; how to involve interested parties early in the planning process to assure that all are treated as equitable partners; and how to handle administrative requirements that may be well-meaning but that impose undue hardships, especially on small firms. Other topics included management and operating roles, the use of paratransit in improving public transit productivity, and the role of the private bus industry.

During the conference, five sessions took place at which background papers and other presentations were given. These in turn were followed by general discussions. Summaries of these sessions, prepared by session rapporteurs, are contained in Part A of this report.

Part B of the report are edited transcripts of Session 139 of the TRB Annual Meeting held in Washington, D.C. in January 1982. This was the first time transit researchers, policy makers, and consultants discussed in a forum the opportunities for the facilitation of public/private coventures and their potential impact on increasing transit productivity. The presentations provide a philosophical insight into the implementation of these approaches.

We would like to thank the following people for contributing to the editing of various sections throughout this report:

Dr. Robert Enggist
Institute for Public Transportation Innovations

Dr. Peter Everett
Pennsylvania State University

Mr. Frank Spielberg
SG Associates

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PREFACE

Ronald J. Fisher

As the UMTA Demonstration Program matured it became increasingly more involved with the private sector. Early activities simply gave an indirect assist through such things as reserved bus lanes that were available to both public and private operators. Later, UMTA became more broadly involved in testing new ideas for a mix of transport services to serve the diverse travel needs of an urban area. The full potential of the private sector became apparent and most of the private/public type of cooperative arrangements discussed in this conference were integral to these demonstrations.

Such growing interest in the potential of the private sector was coincident with a general change in government policy. Ted Kolderie summarized this policy trend best in the February 1982 issue of "Transatlantic Perspectives." He describes how the U.S. has shifted from an almost total reliance on the private sector in the early part of the century. Large government programs became popular in responding to unmet needs present in our society. Great expectations for solutions in the public sector have not materialized so that now we are into the "mid-course correction" phase where for certain functions of government, some blend of public and private sector efforts seem appropriate.

In my view urban mass transportation which was widely absorbed as a public sector function in the 60's is now on the cutting edge of just such a transformation. Many examples of effectively involving the private sector have been documented in the UMTA demonstration program (editor's note: see attached bibliography). Motivation for the private sector concern with mobility has been increased by high land costs, energy uncertainties and a growing environmental sensitivity. Consequently, conditions are right for forging new arrangements for public and private cooperation. Barriers like local regulations are being modified (i.e. regulatory changes for taxi operations in San Diego, Portland and Seattle). Assumptions as to employer responsibilities for employee travel are being reviewed, i.e. employer subsidized transit passes and employee vanpool programs. Even technological innovation is moving in the direction that will facilitate a blend of the public and private sector involvement, i.e. electronic communications via telephone and video text. It is exciting to review what has already happened in the UMTA demonstrations that has been presented in the conference. It is even more exciting to think about what is still in the formative stages.

PART A

PRIVATE SECTOR ROLE IN PUBLIC TRANSPORTATION: CONFERENCE PROCEEDINGS*

OPENING SESSION

WELCOME:

John J. Fruin, Conference Chairman

CONFERENCE OBJECTIVES:

Lester A. Hoel, University of Virginia, presiding
John S. Pavlovich, New York Metropolitan Transportation Council, Session Reporter**

URBAN MASS TRANSPORTATION ADMINISTRATION VIEW OF PRIVATE AND PUBLIC ROLES IN TRANSPORTATION:

Raymond J. Sander, Urban Mass Transportation Administration

CONFERENCE SUMMARY:

Lester A. Hoel, University of Virginia
Vincenzo Milione, Urban Mass Transportation Administration, Session Reporter Coordination

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* Summer TRB Specialty Conference, Charlottesville, Virginia. August 8-11, 1982. These proceedings consist of selected papers and abstracts submitted by Session speakers.

** Paper or abstract was not submitted.

CONFERENCE OBJECTIVES

Lester A. Hoel

It is indeed a pleasure for me to welcome you to this conference on the Private Sector Role in Public Transportation. We, at the University of Virginia, are pleased that you are here and hope that you will have a successful meeting and an enjoyable stay in Charlottesville.

This conference is jointly sponsored by the Transportation Research Board (TRB) and the Urban Mass Transportation Administration (UMTA). I especially wish to thank Jack Fruin, Chairman of the Public Transportation Section of the TRB and his conference committee for the excellent job that has been done in organizing the program. We are also grateful for the encouragement and support of UMTA in this conference and especially to UMTA's Executive Director, Mr. Raymond J. Sander, who is with us tonight and will be our speaker. We also wish to thank each of the participants who will be making presentations over the next 3 days of this meeting.

While you are here we hope that you will take time to visit and enjoy this lovely and historic community. Monticello, which was Thomas Jefferson's home, is located just 10 minutes from the University. The Rotunda, where we are now located, is the center piece of the University, which he founded. It was opened in 1825 with about 100 students and 7 faculty. Mr. Jefferson died just over a year later on July 4, 1826, exactly 50 years after the signing of the Declaration of Independence, at the age of 83.

Thomas Jefferson began the project to create a National University in Virginia when he was 74 years old, an age when most men would be in retirement. He organized the curriculum, selected books for the library, selected professors, designed all the buildings, supervised their construction, and convinced a parsimonious and indifferent legislature to furnish financial support for the new school, in the amount of about $250,000. The Rotunda was the last building to be finished and he would not permit the University to be opened until the final amount, $55,000, was forthcoming to complete this capstone of his architectural masterpiece. The central grounds, consisting of 10 pavilions, 109 dormitories and 6 hotels exist today, as they did when the University first opened its doors.

It is quite fitting that this conference is here at the University of Virginia, because of Thomas Jefferson's interest and support of research and his contribution to the nation's progress in transportation. One contemporary of Jefferson stated upon his death that "he did more for the encouragement of the natural and physical sciences than all of the Presidents of the United States together." Thomas Jefferson's involvement in transportation reflected the issues of his times which was opening of the new nation by building roads and canals. During his administration, the National Road was begun which was intended to link the east coast with St. Louis. Although opposed to federal control and support for road and canal construction on constitutional grounds, he sought, unsuccessfully, to have Congress initiate a constitutional amendment that would grant the federal government explicit powers to build roads, canals and other internal improvements. His administration proposed a national plan for

transportation improvements. As a private citizen, however, his interests were in conflict with transportation needs, when as the owner and operator of a mill on the Rivanna River, he was in competition with a local canal company for the meager supply of water in the river.

The University of Virginia has expanded greatly since its beginning over 150 years ago. Today it serves about 16,500 students with Schools of Arts and Sciences, Education, Medicine, Law, Business, Architecture, and Engineering and Applied Science. Transportation has also been a part of the University just as it was a concern of Mr. Jefferson. The Transportation program includes joint sponsorship of the Virginia Highway and Transportation Research Council, which is located in the Shelburne Building on the University grounds. Faculty and students in each of the Schools are involved in transportation research and an interdisciplinary graduate program in Transportation is offered. We hope that while you are here you will visit the Research Council and meet with our transportation faculty.

This is the 10th year that the TRB transit committees are jointly sponsoring a mid-year conference to exchange technical information, to identify changes in program direction, to define new emphasis or procedures that can enhance public transportation and to hold committee meetings. The conferences are usually held in locations where informality prevails so that a relaxed atmosphere will generate interaction among participants. I do hope that you will find the grounds of the University conducive to these objectives and that it will be a stimulating environment for informal dialogue and the exchange of views. If there is any way that we can help you to make your stay more enjoyable, please do let us know. This

conference stems from the realization that the public sector has been unable to assume the financial burden of supporting new transit construction, major improvements in existing services or increasing operating costs. Support at the federal level has declined and state and local governments, with already strained budgets, are being given greater financial responsibility.

With this reality, there has been in recent years a renewed awareness of the role of the private sector in furnishing mobility within cities. Innovative ways are being tried to involve private enterprise in transit activities. Unique partnerships are being formed between the private and public sector, and both are benefiting. May of these will be described in this conference.

There are barriers to overcome, and the conference will consider how to generate private sector financing, how to involve interested parties early in the planning process, how to handle administrative requirements, and a host of related issues.

I would like to comment on two aspects of this conference: first, the role of TRB in efforts to develop interest in private sector involvement and second, the general decline in transportation research.

Long before terms like paratransit, service coordination, vanpooling, and shared ride taxi came into common use, researchers were working on issues of institutional barriers, financial implications, operational aspects and many other problems of private-public partnerships. In the 12 years since the first demand responsive conference, many of these concepts have moved from an experimental to operational stage. UMTA should be commended for its support of research, demonstration program and the major

conferences that were held during the years. Today the family of transportation providers that exists in most urban areas includes public and private organizations, non-profit agencies, individual entrepreneurs and employers that provide services only to their employees, and reflects a rich mix of services, markets, institutional interests and economic realities. However, the process of selecting among options is complex and there could be a total system failure if these systems are not properly interfaced.

To what extent the private sector can rescue public transportation is problematical. Private operators are still in business to make a profit, and will discontinue service if their costs are not met. Thus to look at the private sector as a panacea would be to afford reality. Private/public cooperation will require facing the issues realistically and a willingness on the part on the private and public sectors to work in a cooperative partnership.

Finally, our ability to meet the challenges in transportation in the future will depend heavily on our research efforts. In recent years funds for research have been steadily eroding. In the eight years from 1972 to 1980, the U.S. DOT experienced a decline in research level of 38 percent, at a time when the total DOT effort was increasing by 27 percent. These figures appear to be continuing into the 1980's and the levels are reaching alarming lows. While medium technology industries in the private sector spend from three to five percent of their revenues on research, the amount in the public sector of transportation is less than two-tenths of one percent or 15-25 times lower than private sector expenditures.

I think there is a lesson for the public sector that can be learned from the private sector. That is, research pays off. In fact, a strong industry can't survive without it. There are many reasons why our research efforts have been declining so dramatically but the net result will be stagnation and higher costs to society for the transportation systems we produce. We have a great capacity in this country and tremendous talent in our universities and research centers. I do hope that the efforts of the TRB and others will be successful in convincing those responsible for transportation budgets to increase research funding. The result will be significant improvements in the quality and service of our transportation systems.

Again, welcome to the conference and to the University of Virginia. Thank you.

CONFERENCE KEYNOTE SPEECH

RAYMOND J. SANDER

It is a pleasure to be with you this evening to discuss the role of the private sector in the provision of public transportation from UMTA's perspective. UMTA Administrator Art Teele was looking forward to participating in this important meeting, but an unfortunate last minute scheduling conflict prevented him from joining us tonight. He has asked me to convey his warm greeting and best wishes for a meaningful and productive conference.

During my tenure at UMTA, I have worked closely with Art Teele on the issue of private sector participation and I know it is a high priority topic. UMTA is strongly committed to enlisting the assistance of the private sector in a broad variety of activities and to fostering the development of public-private sector partnerships to address urban problems. Your choice of this highly appropriate topic for the tenth in a series of mid-year conferences is indicative of the Transportation Research Board's foresight and wisdom. Although the Rotunda, where we sit this evening, is not the "House that Ralph Sampson Built," it was designed by Thomas Jefferson. This choice of a site is fitting and consistent because Jeffersonian principles of government are certainly relevant today". That government is best which governs the least" and "...It is not by the consolidation, or concentration of powers, but by their distribution that good government is effected."

The Reagan Administration is working to disengage the federal government from those activities which they believe can and should be more appropriately handled by state and local governments, and in some cases, by the private sector. Pursuant to this principle, one of the major policy thrusts of the UMTA program is the phase-out of operating assistance. The promise of this policy is that the gradual elimination of operating subsidies will compel public transit operators to be more sensitive to market realities and to manage their operations accordingly. The administration further believes that the phase out will stimulate a more appropriate mix of transportation services within an urbanized area.

In this regard, there is mounting evidence that many communities are preparing to take necessary steps to assure continued operation of their transit systems without federal operating assistance. Private sector involvement has been one of the primary initiatives that these communities are examining.

For the reason, UMTA is committed to doing its part to expand private sector opportunities in the provision of public transportation services. We believe that wherever possible, private carriers should be afforded full opportunities to provide needed transit service. This means that private operators should be able to submit for consideration their own proposals for paratransit service delivery and that they should be given a chance early on to comment upon transportation plans that are being developed by public agencies or non-profit institutions.

Accomodating private sector participation in the public transportation process is comparable to the evolution of increased public participation in the planning process that took place in the early 1970s. Transit professionals agree that greater public participation has enhanced the planning process. We believe similar inclusion of private providers in the planning process will be equally beneficial. UMTA should not and will not decide what the appropriate mix of public and private transportation services should have. We will, however, ensure that all providers are given equal opportunities to offer the service.

Obviously, we want to avoid the "rush to subsidy" approach if the private sector can provide transit services without federal assistance. In the event that federal assistance is appropriate, we are committed to assuring that federal transit aid can be made available to the most efficient operator, public or private, based upon allocation decisions made by those who are directly affected by the services in question. Although UMTA will not provide assistance directly to the private sector, UMTA will encourage the pass through of federal funds to efficient private paratransit operators if state and local agencies determine that these operators are best able to meet the locally identified needs of a community.

We see our role as that of a catalyst, an idea broker, and an information clearinghouse in providing technical assistance to foster the development and implementation of successful techniques for private sector involvement. As I'm sure you know, some of the most innovative and effective of these techniques have been around for quite some time. Joint development and paratransit, for example, are concepts that were developed from previous

research, experimentation, evaluation, and deployment. Our research and technical assistance program will continue to focus on these vital areas as well as exploring new avenues for private sector participation.

UMTA's Section 6 service and methods demonstration program supports exploration of a variety of techniques for promoting increased public/private cooperation. These activities range from ridesharing, transportation brokerage, employer pass programs, and merchant discounts to programs such as contracting for service with private operators, cooperative arrangements, parking management, neighborhood cooperatives, and taxi regulatory revisions.

In UMTA's Section 8 planning and technical studies program, we have identified private participation as an area which should be given significant consideration by local metropolitan planning organizations and transit operators in developing their yearly planning programs. Moreover, we have earmarked $750,000 for special studies to enhance private participation.

We have also initiated a comprehensive private sector program to coordinate our efforts in this area. A concise handbook will be available in the near future that will, for the first time, provide a compendium of innovative and successful public-private transit partnership. Summaries of these efforts and the name of a contact person on the scene will be available so that interested parties can learn to emulate these successful programs.

Finally, we will initiate and fund a study which will explore innovative incentive options for further private financing of transit. These activities incorporate many elements that have been developed from previous projects funded under the UMTA service and methods demonstration programs.

In closing, let me thank you for your gracious hospitality and attention. In looking over the conference program for the next three days, I must say that I'm tremendously impressed by the breadth and timeliness of the topics you will cover. We at UMTA look forward to reviewing the results of this conference.

The TRB has always been on the cutting edge of change in transportation. Painful but necessary federal budgetary retrenchment, changing demographic patterns, and periodic oil supply disruptions all contribute to the speed and complexity of changes in transit's operating environment. We'll be looking to you for help in meeting the critical challenges we face and I'm confident of your capacity to respond.

Thank you.

CONFERENCE SUMMARY

Lester A. Hoel and Vincenzo Milione

To try to summarize this conference would be like the proverbial blind man describing an elephant. Each conferee came here with specific viewpoints, objectives, backgrounds and biases and these would no doubt be reflected in a short summary, both in what is said and in what each participant would feel was left out.

The one theme that came through in this conference is that we are in a period of change that will profoundly affect the nature of urban transportation for years to come. What was viewed as a monolithic industry furnishing transit service on a fixed route-fixed scheduled basis is now represented by a variety of providers, organizational arrangements and markets.

Furthermore, with changes in financial resources from the federal to local level and rising deficits requiring increasingly greater subsidies, new priorities are emerging concerning the use of public funds. Federal support for public transit was generated by a crisis in urban transportation. This crisis has taken a number of forms over the years and has included the potential loss of service on commuter routes, highway congestion, mobility for the elderly, handicapped, economic disadvantaged, environmental protection, energy and economic development. To these objectives we are now adding consideration of costs and benefits.

This conference is perhaps the first time that transit providers from both fixed and paratransit groups have focused on a common issue of involving the private sector in public transit. It is a recognition that public transportation means publicly available transportation and the private sector can make a significant contribution and also a profit, through the use of techniques and cost saving approaches that have been successfully used in other applications. These approaches can be accomplished by:

- bridging the communication and technical gap among providers
- joint participation in the transportation planning process
- joint solicitation of business community participation
- the development of new institutional structures within the such as the urban travel agent, contract management, tax transfer benefits, and strategic planning.

Private Sector Involvement (PSI) strategies for public transportation involve a broad spectrum of private sector activities including multimodal operations, financial support, equipment development, and managerial interaction with the business economy extending beyond farebox recovery. There is a need to review federal, state and local legislation to identify areas of private sector involvement through tax credits and transfer, benefit distribution, and reduction of regulatory barriers. A low priority perception of the public transportation industry exists among some business communities. It is important that public transportation's credility is enhanced as part of the transportation sector in order to develop a peer relationship with the business community.

This conference was originally planned as a means to focus the exchange of ideas between the membership of the 10 committees in the Public Transportation Section E of the Transportation Research Board. In fact the program was organized and arranged by several of the committees. As it evolved the meeting took on the character of a Specialty Conference and many of the participants attended because they heard via the grapevine of the meeting and decided to come. The topic of private-sector role in public transportation is of such importance that had it been widely announced, attendance would have been considerably greater. That could be the reason why there may be imbalances in representation between public providers and other interests.

This conference has produced a wealth of new ideas and concepts. Many innovative techniques were proposed and success stories were described. also described were barriers and potential stumbling blocks to private sector involvement as well as cautions to recognize the problems and pitfalls.

SESSION I

PRIVATE AND PUBLIC SECTOR: PAST, PRESENT, FUTURE:

C. Kenneth Orski, Corporation for Urban Mobility, presiding*
Robert E. Enggist, Fordham University, Session Reporter

HISTORY OF PRIVATE-SECTOR ROLE IN PUBLIC TRANSIT:

William D. Middleton, University of Virginia

FREE ENTERPRISE PUBLIC TRANSPORTATION:

Gabriel Roth, World Bank

EMPLOYER-PAID TRANSIT PASSES:

Frank Spielberg, SG Associates, Inc.

BARRIER TO PUBLIC-PRIVATE COOPERATION IN THE PROVISION OF TRANSPORTATION:

Christine M. Johnson, American Public Works Association

POSSIBLE FUTURE PRIVATE SECTOR ROLES:

Peter B. Everett, Pennsylvania State University

* Paper or abstract was not submitted.

PRIVATE AND PUBLIC SECTOR: PAST, PRESENT, FUTURE

SESSION SUMMARY

Robert E. Enggist

In the first session conference, chairperson Ken Orski of the Corporation of Urban Mobility pointed to three vital roles where the private sector has made and will continue to make significant contributions to public transportation service delivery, namely financing of transportation facilities, sponsoring of transit and paratransit services, and directly providing transportation services.

The first speaker of the distinguished panel, Professor Middleton, University of Virginia, gave an excellent historical perspective on private sector involvement in public transportation from the days of free entrepreneurship of some 400 companies providing rail service by horse/mule power toward the end of the 19th century to the financial decline of the private operations that brought about public ownership of most of these institutions by 1964.

Dissatisfaction with the quality of service became rather the rule than the exception since that time. The historian noted that a continued and increased emphasis on the qualitative aspects of transportation services will be the key to restoring a still battered image of the transit "industry" in the future.

Mr. Gabriel Roth from the World Bank next talked on the subject of "Free Enterprise Public Transportation," citing a successful example of role shift from public to private sector provision of urban transportation services in

Kuala Lumpur, Malaysia with the introduction of a minibus system. Mr. Roth stressed that from his experience with this particular project, cost saving simply does not make a powerful argument for implementing effective transportation services, which corroborates with Mr. Middleton's point on achieving quality of service as a goal. The speaker outlined several characteristics of successful transportation systems:

(1) private ownership;

(2) small rather than large vehicles (cost per seat increases directly as a function of vehicle size);

(3) operating units of fleets are kept small;

(4) route association is to serve as an organizing framework.

Mr. Frank Spielberg's presentation from SG Associates dealt with "Employer-Paid Transit Passes," a concept initiated through UMTA's innovative Service & Methods Demonstration (SMD) program. Mr. Spielberg described a variety of fare prepayment/distribution/discount options that are available, emphasizing that private sector involvement in these promotional efforts of public transportation is really in the best economic interest of participating business. He cited that the costs of providing adequate parking facilities is often overlooked or grossly underestimated. In addition, there are obvious cash benefits to the employees in terms of reduced or stable transit fares, and the transit operators stand to gain from improved public relations an increased ridership. Another advantage is the flexibility of these "joint venture" programs, e.g., an employer can cut out any time he so desires.

Mrs. Christine Johnson from the American Public Works Association brought out in her talk the reasons for the existing barriers to public-private sector cooperation. In this context, the term "private sector" is to be understood

as the private operators, i.e. taxi and limousine services. Mrs. Johnson made the point that in the past the public-private sector planning process simply has not worked very well. There are vast communicative barriers, in addition to the fact that the private operators are brought into the "planning" process too late. By the time public hearings take place, she asserted, it is usually too late to have an impact on the decisions.

The defensive posture of a transportation provider with a long history in effective service delivery had better be dealt with by striving toward genuine cooperation and overcoming some of the negative perceptual biases that currently hamper the joint planning process. The speaker on a positive note did see a vital role to be played by agencies that are promoting new ideas in private-public sector co-ventures, as long as they are sensitive to the needs of the private operators.

The final speaker, Dr. Peter Everett from the Pennsylvania State University, addressed possible future private sector roles. Where are we heading with private-public sector partnerships in public transportation? Dr. Everett sees five approaches or models that have evolved over time.

(1) philantropic model, where business is called upon to make financial contributions with "no strings attached;"

(2) dutiable approach, where public transportation is being supported by tax subsidies;

(3) mutuality model, where there is mutual dependence among the partners. Examples are the merchant (discount) programs of Spokane and Bridgeport;

(4) symbiotic relationship, where if the partners split up, they will be able to continue to exist. An example is the employer-sponsored fare prepayment program (Sacramento, Jacksonville);

(5) independent venture, where no relationship between the private and public sectors is involved at all. Examples are the corporate commuter programs (i.e. car/van pooling, ridesharing, etc.).

Dr. Everett pointed out that the models (3) to (5) will be the dominant ones in the future. Basically, growth will occur in a multiplicity of public-private sector "relationships" or partnerships, a departure from giant monolythic public service structures. At the end, the speaker introduced an innovative concept, the Urban Travel Agent, which could play a major role as an information clearinghouse and transit broker.

Following the presentations, the panel responded to questions and comments from the audience. It was observed that although the regulatory barriers for private sector participation in providing essential paratransit services are gradually being overcome, more work lies ahead in improving the employers tax situation, again the rationale of specific economic incentives, in this case, to extend employee fringe benefits.

A crucial practical as well as research question was posed by asking how the entrepreneurial effort in public transportation can be successfully sustained and further promoted on a larger scale, e.g. beyond the scope of the presented "demonstrated" examples. A number of suggestions and innovative ideas were offered: perhaps most importantly, given the frequent distrust, communication gap, and divergent public-private sector goals and objectives, there is a (crying) need for "bridge" builders who can bring the private and public sectors in closer touch with each other. Specific expertise in the following areas will be most instrumental in the process: equipment leasing, contracting and brokerage of transportation services, planning and implementation of private-public sector partnerships or coventures (i.e.

merchant discount, employer sponsored transit fare prepayment (TFP), TRP/staggered work hour programs, joint development, etc.)

The basic approach facilitating the joint planning process, it was pointed out, is market segmentation. By carefully targeting the different publics generating peak and off-peak trips, the business markets (i.e. employers/employees, merchants/shoppers) can be more effectively serviced. In addition, clear incentives and disincentives or penalties are needed to encourage "load levelling" and more efficient, as well as environmentally responsible, uses of the existing transportation service infrastructure. Who will be playing the mediating role of a catalyst and change agent? In an environment of multiple situational models of cooperative arrangements, pointed out by Dr. Everett, the change agents are likely to appear in various forms as well. The Urban Travel Agent, an information clearinghouse and travel service broker for the business community, is one possibility. Non-profit organizations and employer organizations, corporate executive officers (CEO) consortia, high level planning councils, workshops and seminars designed to promote the institutionalization of private sector involvement in public transportation are other promising mechanisms to bring about these innovative changes in public transportation.

Essentially what is needed is a sense of urgency regarding a shared responsibility that stems from the fact that neither the public nor the private sector alone can do the monumental job of providing high quality and economically viable transportation services, given the financial and political realities of our times.

HISTORY OF PRIVATE SECTOR IN PUBLIC TRANSIT

William D. Middleton

Public transit in North America originally was developed as a major private-sector industry that was, for a time, highly profitable. Electric street railways became the dominant mode late in the 19th century, and much of the industry was developed by dual electric power and transit properties, which both provided the transit service and generated the power to operate it. Transit was typically a franchised, regulated industry. Through the 1920's the industry was a dynamic one, characterized by good, innovative management, and supported by a strong supply industry.

The first significant public involvement in transit came in a few cities where municipal street railway properties were established to compete with the powerful privately-held properties, or in a few large cities where the capital needs for subway development proved impossible to generate in the private sector. Private-sector transit began to decline after World War I, with rising operation costs, a loss of much of its traffic base to private automobile use, and a forced breakup of the dual power company-transit operations all contributing to the industry's earnings decline and loss of financial strength.

Public trasit ownership remained predominately in the private sector until well after the mid-century point. Inadequate earnings led inevitably to deterioration of transit plant and equipment, and a declining quality of service. The trend to public ownership increased rapidly in the 1950's and has since become almost complete.

FREE ENTERPRISE PUBLIC TRANSPORTATION

Gabriel Roth

Introduction

The conventional wisdom, at least in North America and Europe, is that urban public transport has to be supplied by a publicly owned or franchised monopoly, and that services have to be slow, costly and unprofitable. This view is challenged in a booklet recently published by the Council of International Urban Liaison (CIUL), in its series "Learning from Abroad." On the basis of evidence from a wide variety of cities, the authors conclude that market forces, if allowed to work, could supply -- at a profit -- high quality urban transport services at fares that the great majority of travellers would be willing to pay. Some of the material in the CIUL booklet is presented, with permission, to this conference.

Characteristics of Successful Public Transport Systems

The success of these systems has been recognized for many years, but the reasons were not generally understood. Recent work has identified four key factors that are associated with them: ownership is private; vehicles are small; operating units are small; routes associations provide effective organizational frameworks.

Obstacles to Informal Public Transport

These systems are not new. The jitneys were successful in the US, both technically and economically, in the first quarter of this century, even before World War I. Why, then, are market forces not allowed to supply public

transport in most cities of the "developed" countries? Reasons of three kinds can be identified.

Cross-Subsidization

Any organization providing a variety of services inevitably earns higher profits from some than from others. A profit-seeking management will generally strive to expand its high-profit operation and to eliminate the loss-making ones. However, in some fields, of which urban public transport is a notorious example, loss-making services are subsidized by profitable ones as a matter of deliberate policy. This policy -- for which the jargon word is cross-subsidization -- is incompatible with free competition and can only survive under the protection of an area-wide monopoly. For, without such protection, competitors will inevitably eliminate the excess profits earned on the profitable operations and leave no surplus with which to subsidise the unprofitable.

Cross-subsidization is pervasive in the provision of urban public transport. Not only do "good" routes support "thin" ones, but off-peak services support the peak-hour ones (which are generally the least profitable because of their use of equipment that is idle for most of the time) and, under the flat-fare system, short-distance (inner city) riders subsidizes the long-distance ones from the outer suburbs.

There may be compelling reasons for subsidizing certain classes of travellers or trips, but subsidies can be given directly, as are food stamps, and there seems to be no good reason, other than administrative convenience, for requiring them to be paid by other travellers.

Vested Interests

Important beneficiaries from the existing systems are the people who work for them. Professor James B. Ramsey recently cited the example of the token booth attendants of the New York subway, who (in 1978) earned about twice as much as intermediate grade tellers in New York Banks. Similar examples can be found in London, where a group of workers were recently discovered to have beds at their work-places to ease the burden of the night shift. (This and other practices led to a public outcry and to changes in London Transport's top management.) It is to be expected that those who benefit from the existing systems will resist change, but it may be far cheaper for cities to compensate displaced workers than to continue the operations of expensive services which do not meet the public demands for convenient and speedy transport.

Attitudes of Urban Officials

The power to give or withhold a licence -- whether to transport, cable television or for any other service desired by the public, is a very real one, that confers status on those who wield it, even where there is no trace of self-seeking or corruption. The suggestions that licensing procedures might be amended, or even, heaven forbid, abolished, implies that the present system is less than perfect, an idea that is not easy for the practitioners to accept. Even more difficult for an organization to accept is the proposition that some of the tasks currently being undertaken by its staff may actually be superfluous. For all these reasons, proposals to reform or abolish licensing systems are apt to be resisted by the insiders who operate them.

Conclusion

It is clearly beyond the capabilities of a European writer to assess the extent to which the transport services described in this paper can be used in the USA. Certainly it is not suggested that the total public transport load in New York, Chicago, and other major US cities could be carried by "informal" systems. Interested readers can decide to what extent, if any, these informal systems can contribute to improving urban mobility in their communities.

EMPLOYER-PAID TRANSIT PASSES

Frank Spielberg

In our society that has experienced over thirty years of affluence we tend to think of public transit as a service for the common working man -- who likely no longer fits the popular image -- or the poor. It is useful to remember that when transit was introduced in the mid-19th century the fare was larger than the average working man could afford. Only over time did wages rise to the point that a nickel fare was an acceptable everyday expense for the trip to work.

While the costs of travel to work have not risen again to the point that the typical employee walks to work, the cost of travel to downtown jobs is an issue. For lower paid office workers in central locations the costs of driving and all-day parking are significant compared to the hourly wage. Transit, although less expensive than driving, is rapidly becoming more costly especially for travel from the suburbs to downtown. As a result it is becoming more difficult for CBD employers to attract low wage workers for some types of jobs. These employers, among others, are seeking means to attract and hold quality workers. One means of particular interest is employer participation in the cost of transit pass -- interest not for altruistic reasons related to support for public transit but rather for the sound business purpose of reducing costs and maintaining staff.

Transit passes are of several types. The most popular is the monthly pass but annual and weekly passes, as well as token packs and multiple trip

tickets, are offered by some properties. A fare payment mechanism receiving renewed interest (i.e. through an UMTA demonstration in Bridgeport, Connecticut) is the permit which involves a lower initial cost than a pass but requires a reduced fare cash drop everytime a transit trip is taken.

Transit properties that offer or consider offering passes are faced with conflicting goals. On the one hand a pass is an attractive marketing action -- one that can lead to increased patronage especially when priced in the range of 36 to 40 trips per month. On the other hand the pass is perceived as an instrument that leads to a loss of fare-box revenue as pass users take rides for which they might have paid cash -- a significant issue in a time of tight budgets. Eliciting employer participation in the cost of a transit pass allows the operator to set higher pass price, thus conserving revenue, while offering the pass to the user at a reduced price, thus promoting ridership.

The degree of employer participation ranges from simply serving as a sales outlet for passes -- facilitating purchase -- to active contribution to the cost of a pass, in some cases up to 100 percent of the cost.

In a survey of transit operations conducted in mid-1980 at least 25 cities were found with some type of employer pass participation. Employer contributions ranged from 100 percent for one bank in Seattle to 8.5 percent for a firm in Pittsburgh. Most contributions were in the range of 30-40 percent of the pass price.

In those cities where employer contributions have been instituted it is a popular fringe benefit with employers and employees. In Des Moines almost all want-ads for clerical workers note the transit pass as an available benefit.

A prime reason for employer satisfaction with the transit pass contribution is that it is far cheaper than providing parking space. The cost of constructing parking ranges from $25 per space per month (open lot) to over $150 per space per month (underground). To this must be added $16-$50 per space per month for operations and maintenance. Transit pass costs, on the other hand, are typically no more than $8 per month. Other reasons for employer satisfaction include the possibility of using land now devoted to parking for more productive purposes, employee relations, public relations and improved budgetary control.

The companies best suited for employer pass programs are those with a large clerical work force (e.g., insurance, banking, utilities, large corporations and government).

The size of city or transit operator is more a constraint on the use of employer pass programs. CTA in Chicago has a program involving over 1000 companies while BARTA in Reading, Pennsylvania has a successful program with only 16 companies.

The permit may turn out to be the instrument best suited to employer programs as it offers a clear distinction between two cost elements -- the initial purchase of the permit that could be assumed by the employer and the daily cash drop that can be assumed by the employee.

BARRIERS TO PUBLIC PRIVATE COOPERATION IN THE PROVISION OF TRANSPORTATION

Christine M. Johnson

As the Chicago metropolitan area struggles with solutions to the region's transportation problems there have been frequent suggestions (in the press, in the state legislature and elsewhere) that private transportation providers (charter bus companies, taxis, liveriers, etc.) could supply transportation equal to that provided by the public sector at lower total cost. Few professionals knowledgeable with the findings of numerous demonstration projects using private providers would argue with these observations. There is, now, abundant evidence that in a variety of specific instances use of private sector providers can reduce total transportation costs without significantly affecting service.

Why, at a time when our elected leaders are desperately searching for solutions to the chronic transportation crisis, do these suggestions remain just that -- suggestion? In large measure, because the private sector has little effective access to the transportation planning and decision making process in this region. In the paragraphs below some of the specific barriers to the productive cooperation of the public and private sectors are explored.

I. Short-range transportation planning is carried out by the Public Sector, for the Public Sector

The problem is best illustrated by an example. Suppose the only access to a suburban train station at present is by car or taxi. A mayor or a citizen's group may contact the R.T.A. to explore the feasibility of providing a feeder bus. The matter will be referred to staff who will look at fairly bus-operated by a traditional public subsidized carrier. Little consideration is given to the facts that:

- the taxi operation is currently providing feeder service;
- the existing taxi service is probably cheaper than the total cost (capital and operating) of a traditional feeder service;
- the implementation of a new feeder service will destroy the "bread and butter" business of this particular taxi.

The taxi operator will most likely not be notified that such a feasibility study is underway nor will he be given an opportunity to present a well developed alternative proposal. Even if he were given such an opportunity, the taxi operator would not have the information available that the R.T.A. planner has, nor the planning staff necessary to develop a counter proposal.

The proposed feeder bus project would then be listed in the T.I.P. and the operator would have the right to protest at a public hearing.

However:

- it is unlikely that he will know what a T.I.P. is, let alone receive one;
- the project may be burried in a group order of 40 buses, so he would never recognize it even if he saw the T.I.P;

- at a public hearing, he may be given five minutes to protest; that is not enough time to make an understandable counterproposal;

- further, by the time something is put in the T.I.P. the decision has already been made;

Blank Line Missing?

The hypothetical example is presented to illustrate that:

- When a perceived local transportation need arises, the planning process tends to respond with a traditional, publicly subsidized solution (or, if it is found to be non-cost effective, no solution at all). It would be very unusual for federally funded planning staff to invest several months in feasibility and implementation analysis of a service to be provided by a private transportation provider -- even though the project may be in the public interest.*

*This author has witnessed planning projects turned down by the W.P.C. because "if the private sector was interested, the private sector could pay for it."

- the Regional Transportation System is perceived to be composed of only those elements that the public pays for;

- the private operator, even if he is willing to invest his own money for his own planning has very little effective access to influence the planning decision making process;

II. The Public Sector has the Necessary Planning Information

Over the last 15 to 20 years public funds have contributed to the accumulation of large amount of data from which to forecast future transportation systems. This same information could be used to guide private suppliers in developing future market, thus serving the transportation needs of the region. While the data is available to any member of the public, it is the analysis that is key. For example, there are no jitney demand models in the U.T.P.S. package. There are no systematic analyses carried out by the public sector to show where

private bus operators could implement subscription bus services. The private sector cannot afford to invest in this type of sophisticated marketing analysis any more than the private bus companies could before they were taken over by the public sector.

From the public perspective, it would be well to remember that if we analyse only public sector/publicly subsidized solutions, that is all we will get.

III. The Decisionmaking Structure of the 3-C Process Implies that the Regional Transportation System is Composed only of Publicly Subsidized Modes

The only interests represented in the M.P.O. decisionmaking process are governmental agencies, publicly subsidized transportation operators, and elected officials. There is no one within the 3-C process who has the power to vote on transportation fund allocation, who has sufficient vested interest in the private sector provision of transportation to raise the questions:

- How will a given project affect the current private operator?
- Has the private provider been involved in the planning process?
- Could the private sector be used to provide this service less expensively?
- Can this project be competitively bid and thus provide a check on the "vested interests" of public sector operators?

The fact that the Regional Transportation System is considered to be only those elements which are publicly subsidized was well illustrated during the recent threatened R.T.A./C.T.A. shutdown. As efforts were made to put together a contingency plan which relied heavily on the private sector, it quickly became clear that no one had data on who the private carriers were and how much equipment they had. This fact is in contrast to the federally funded efforts to collect detailed equipment and operation information on publicly subsidized carriers.

IV. Input from the Private Sector into the Planning Process is often Viewed as "Lobbying" for "Vested Interest."

When a private supplier attempts to make effective input to the planning process, his suggestion tends to be discounted because they come from a "vested interest who stands to make a profit from the suggestion." A counter suggestion from the C.T.A./R.T.A., however, tends to be viewed as representing the "public interest," in spite of the fact that these operators have an equally vested interest of increasing their constituency (with new service that carries their logos) and increasing their budget. There tends to be an underlying assumption (never spoken) that a profit making operation is inherently inconsistent with the public interest. (Conversely do we assume that a deficit operation is in the public interest?)

An example

In the paragraphs above some of the problems of public-private cooperation in the provision of transportation have been explored. Each of these problems are illustrated in the recent 504 planning

process which resulted in the implementation of a C.T.A. owned and operated demand responsive transportation system.

In 1976 a Mobility Limited Advisory Committee was formed to provide advice and counsel on mobility limited transportation. Membership included representatives from advocacy groups, social service agencies, C.T.A., R.T.A., and C.A.T.S. There were no private transportation providers invited at that time. Two to three years later when the Transition Plan was being formulated three private providers were asked to participate; one remains on the committee today. Two dropped out after one or two meetings saying that they would have to hire (at their own expense) two or three staff to adequately counter C.T.A. and R.T.A. in these sessions. In separate interviews all three felt that:

- their contribution was not wanted;
- private sector solutions were never seriously considered;
- neither they nor the private sector they represented was given a fair or adequate opportunity to develop and present private sector solutions for the "interim plan."*

Staff interviews indicated that the primary role of the M.L.A.C. was to develop service criteria. Actual planning was carried out by C.A.T.S., C.T.A., and R.T.A. staff. When asked what efforts were made to include the private sector, the staff pointed to the three representatives invited to sit on the M.L.A.C. committee (in spite of the fact that they were excluded

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*Service to be provided before full system accessibility was developed.

from the actual planning process). By their own admission, there was no effort made to solicit private sector proposals and little effort made to develop and evaluate private sector solutions themselves. The interim service ultimately implemented was a totally separate system.

When the 504 Transition Plan went out to public hearing, all notification efforts were directed to the elderly and handicapped community. Little, if any, effort was made to notify (let alone solicit comments from) private providers.

At least three private providers tried to make counter proposals. Two Chicago taxi companies sent letters of interest with sketch proposals to C.A.T.S. and C.T.A. Neither of the letters received a response. The private sector member of M.L.A.C. was allowed to make a formal presentation to a M.L.A.C. subcommittee after considerable insistence on his part. Privately, staff admitted that this proposal was never considered seriously.

In September of 1981, the 504 interim service was implemented: a 20-vehicle, 24-hour advance-notice demand-responsive system owned and operated by C.T.A. For many private operators in Chicago the sight of the C.T.A. mini buses (picking up their former customers) was the first they knew of the 504 planning and decisionmaking process.

The system, according to a report presented at a recent M.L.A.C. meeting, has a current <u>operating</u> cost of $41.00 per passenger. A targeted load factor of 1.9 passengers per vehicle-hour will bring the operating cost down to $23.00 per passenger. By comparison the City of Chicago Office of Senior Citizens and Handicapped recently asked for competitive bids for

privision of elderly and handicapped transportation with specifications nearly identical to those of the C.T.A. service. Three private providers bid $5.00 per trip on the short trip (work and medical). These prices included capital and operating costs, as well as profit.

SESSION 2

FINANCIAL AND DEVELOPMENT ROLES

Eugene Lessieu, Port Authority of New York and New Jersey, presiding*

Robert A. Olmsted, Metropolitan Transportation Authority, Session Reporter

PRIVATE SECTOR FINANCING FOR PUBLIC TRANSPORTATION

Mortimer L. Downey, Metropolitan Transportation Authority

DEVELOPING A STATE ROLE IN PUBLIC-PRIVATE SECTOR TRANSIT CAPITAL FINANCING

Robert A. Lamb, New York State Department of Transportation

PRIVATE INVESTMENT IN TRANSIT STATIONS THROUGH PUBLIC ACTIONS

Robert E. Selsam, Metropolitan Transit Authority

THE LEGISLATIVE VIEW OF TRANSIT FINANCING

Steven Palmer, U.S. Senate Budget Committee Staff

STUDY OF THE FUTURE ECONOMIC STRUCTURE OF URBAN PUBLIC TRANSPORTATION

Michael A. Kemp, Urban Institute

* Paper or abstract was not submitted.

FINANCIAL AND DEVELOPMENT ROLES

Session Summary

Robert A. Olmsted

Public funds to support public transportation are becoming scarce. At the federal level, mass transit operating support is being phased out, and concomitant with the reduction of federal dollars available for all discretionary programs, federal support for mass transit capital programs is also being limited. Tight budgets and fiscal crises at the state and local level virtually rule out replacing the lost federal funding from local public sources.

Many localities have had to curtail existing transit operations, and others are scaling down plans. Cities planning new and expanded systems are postponing or shelving plans, while on the other hand, cities with older, established systems are discovering that the dollar needs of their existing systems for capital replacements to keep those vital bus and rail systems in a state of good repair are enormous. New York, for example, has embarked on a five-year capital program of over $7 billion largely to keep the existing systems from falling apart.

An emerging (or perhaps reemerging) consequence of the decreased availability of public financing for public transportation is an increase in private sector involvement in a variety of ways. The private sector is helping out both directly and indirectly; directly through cash contribitions, indirectly through taking advantage of tax laws, zoning,

etc. It is becoming more important to exploit all opportunities, however remote or indirect, to direct private capital into transit improvements.

Leverage leasing, formerly only available to private transportation providers, is being used extensively to acquire new transit cars and buses until the "Safe Harbor" leasing provisions of the law expire next year. Under this method of financing, transit agencies may sell and then lease back equipment allowing the private purchaser to enjoy certain tax benefits. Similarly, in several recent transit equipment purchases, vendors arrange some of the financing at favorable rates. Furthermore, certain transit properties are entering the bond market, marketing bonds secured by revenue or public sources.

The existence of good transit is often an asset to real estate developers. To this end, developers are being encouraged to contribute toward the expansion or improvement of transit facilities. Sometimes joint or coordinated development opportunities arise which allow for sharing of certain costs, thus lowering the net cost of the transit improvement. Other times, developers or local community private enterprises may voluntarily contribute to improvements, such as local station improvements, as in "Adopt-A-Station" programs, in order to better the total environment of the community in which the private enterprise conducts its business. Finally, in some cities, developers may have to contribute money for public improvements in exchange for zoning variances. Frequently, these improvements are transit improvements, e.g. improving access to or rebuilding congested subway stations. And in some cases, the zoning code may actually mandate the private developer to finance specified transit

improvements in exchange for building approval, or alternatively, selecting an improvement to be implemented from a menu of eligible improvements.

To maximize private sector involvement, transit management must keep alert to all imaginable opportunities, even remote ones. While the larger transit properties may have knowledgeable professional staff to respond to opportunities as they arise, most smaller properties may not. This weakness can be overcome if state government steps in to provide expertise and guidance to help out small transit systems in the state.

Private sector involvement in transit development is, of course, nothing new. Nineteenth century streetcar and elevated railroad systems were all built by private capital expecting (and frequently achieving) a profit. Joint development was not uncommon, be it an amusement park to generate traffic at the outer extremities, a suburban real estate development, or a department store in the CBD (a procedure still common in Japan). Nor is public-private financing new. The early New York subways were built with public money, equipped with private capital, and privately operated in anticipation of what turned out to be an elusive profit. Even "value capture" was tried in New York fifty years ago, when an effort was made to recover some of the enormous increase in land values resulting from subway construction to help pay for that construction through special tax assessments on abutting property owners. Thus, we may be really dealing with a reemerging concept.

PRIVATE SECTOR FINANCING FOR PUBLIC TRANSPORTATION

Mortimer L. Downey

Changing trends in public finance are causing transit operators to seek new sources of financing. In particular, reductions in federal assistance over the past two years require the development of alternative capital financing.

New York Metropolitan Transportation Authority (MTA) has innovated in this area. Among the new financing sources MTA has employed are the use of safe harbor leased under the Economic Recovery Tax Act of 1981 and the issuance of tax-exempt revenue bonds secured by various forms of system revenue. These sources of access to the private capital market are anticipated to produce nearly 60 percent of the funding needed to fund the Authority's $7.9 billion, Five-Year Capital improvement program.

Access to private capital markets involves new forms of analysis and new perspectives on managerial and financial issues for public transportation agencies.

Lease Financing

Equipment leases have been a traditional source of capital financing for private transportation. Railroad and airline operations often have generated little taxable income, and federal tax code incentives, such as depreciation deductions, investment tax credits, etc., were of little value to these carriers. It made sense to lease, rather than buy, equipment -- sharing the tax benefit as part of a total transaction with a lessor who had income to shelter.

In the 1981 Economic Recovery Tax Act, Congress enacted a new and simplified "Safe Harbor" leasing structure in which firms without tax liability could sell the tax shelter. Other provisions of the 1981 Act, including accelerated depreciation, made such investments particularly attractive. A special provision enabled public transit agencies to make use of these tax law inspired incentives to capital formation. MTA has aggresively sought to finance elements of its capital program through this mechanism, and to date, has entered into one transaction involving $100 million worth of buses and rail cars and has pending another transaction involving $50 million in buses. MTA's Five-Year Capital program anticipates generating over $500 million in financing through the sale and leaseback of some $2.5 billion in rail and bus equipment.

Vendor Financing

A second mode of credit access is the provision of financing of vendors. This form of credit -- "buy now, pay later" -- is, of course, widespread in the American economy, but had little applicability to public transit. However, like leasing, it has been widely used in financing equipment for private transportation carriers. Looking at the private sector for guidance on how to maximize our financial benefit, MTA decided to undertake a negotiated procurement approach, and obtained dated legislation to permit such negotiations. As the availability of financing was a major MTA concern, negotiating terms for procurement of subway cars were expanded to include financing. Competing car builders were asked to offer terms for loans, loan guarantees, or other devices to give MTA credit market access in amounts sufficient to finance car purchases.

Among the financing terms offered, the most advantageous were those from foreign manufacturers supported by Export-Import banks in their respective countries. In two-car purchase transactions concluded to date, the MTA has secured credits which will probably exceed $900 million, at rates ranging between 9.7 and 12.25 percent. Such transactions, common in the private sector, are unfamiliar to government agencies, and MTA has received considerable criticism for accepting subsidized foreign credits.

Direct Credit Market Access

MTA is also developing a series of borrowing mechanism to generate $4.8 billion of the $7.9 billion in funds necessary to undertake needed capital improvements now.

This program will be derived with resources coming from the following:

-- revenue bonds secured by the toll income of the Triborough Bridge and Tunnel Authority;

-- special bonds secured by future streams of capital assistance from the State of New York to enable earlier realizations of project benefits;

-- transit Facilities Revenue Bonds secured by the income stream of the public transit facilities themselves.*

Advantages and Disadvantages of Private Sector Financing

On the positive side, I believe the Authority's management and operations will benefit enormously from the infusion of private sector financing because of the capital improvement the system will enjoy and the style of management and decision making demanded by investors. This source

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*In October 1982 MTA marketed $250 million Transit Facilities Revenue Bonds at an average interest rate of 9.7 percent.

of funding injects a degree of marketplace discipline and a concern for return on investment that is sometimes lacking in the public sector.

Another positive feature is the inter-relationship between this form of financing and the federal program. No UMTA program can meet New York's needs without either a formula that Congress chokes, or a funding level that OMB rejects. MTA's program supplements UMTA grants with other federal incentives (Safe Harbor leasing and tax-exempt bond status) without distorting national programs, yet enjoy the ability to manage a larger part of the program free from federal red tape that tends to slow progress.

There are disadvantages as well. The last advantage cited would be a disadvantage from the point of view of those whose concerns weigh the benefits to U.S. industry higher than the costs of New York taxpayers and fare payers. Perhaps the most serious potential drawback is the high debt service expense future MTA budgets must carry if the present interest rate environment does not change. From the point of view of the Treasury, the program will cost federal taxes, but the budgetary impact is far less than any spending program with equal impact of New York.

Finally, there are costs to these transactions reflecting their size and sophistication. In such major financings, the costs of legal and financial services are bound to be high, and may be identified by some as unjustified expense, which would have to be weighed against the alternative of not raising the funds and not carrying out the improvements.

While I would not conclude that private financing is a panacea for public transit, in MTA's case, it is a critical element in resorting our

system to good health. As funds remain tight and the gap widens with respect to unmet capital needs, I would expect to see similar services of vital public necessity seek similar access to private finance. It is not a simple case to make, and there are political hurdles to overcome, but I would urge close attention to the private sector as a source of financing where appropriate.

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DEVELOPING A STATE ROLE IN PUBLIC - PRIVATE SECTOR TRANSIT CAPITAL FINANCING

Robert A. Lamb

The development of a state role in the public-private financing of public mass transportation systems implies a review of the philosophical and policy roots that have sculpted the relationships a state DOT has with transit operators in the state. Safe harbor leasing of mass commuting vehicles has opened up a source of potential financing by the private sector which was not previously available. New York State DOT has examined this form of capital financing in order to advise transit operators in the state about leverage easing procedures and opportunities.

While large systems can readily use this financing tool, the state was challenged to develop a mechanism for medium and small operators. An appropriate state role requires assessing the benefits and potential risks involved in this form of financing, and defining the extent to which operators should be able to use this to raise money. It must carve out a responsible and manageable role as advocate, trainer, coordinator, and provide legislative liaison while simultaneously balancing the autonomy of the transit operator with the requirement of financial and operational oversight. While it would be easier to adopt a laissez-faire policy, that would not help the small and medium-sized operators which are representative of most transit systems. New York State Department of Transportation elected to coordinate small and medium transit operators to maximize the benefits of leverage leasing. An expanded role will emerge in 1983.

We have created a four-phase process for the state's role to assist public-private sector financing of small transit properties. The process is similar to an investment analysis for merger and acquisition used in some business circles.

Phase I - Initial Assessment

The first question that needs to be asked is whether the state should get involved at all. Private sector ventures that are profit making seem initially incompatible with public sector benefit. In fact, many persons originally looked at leveraged leasing and decided that there would not be much benefit to the public sector. However, many public officials did not understand the tax subsidy system of investment credits and depreciation. The fact that the after-tax cost of borrowing is often lower for the private sector than for the public sector because of tax deductions of interest costs is not well understood. Yet, in private financing of public projects, it is the tax subsidy of interest and depreciation that makes these deals work.

Our early initial assessment led to a series of policy discussions. There were some who felt that we should recapture revenues which others advocated giving to transit operators. When the objectives are valid, it is our role to help properties to achieve them.

Phase II - Further Research

Overall, these discussions led us to develop policy positions which began to identify a role for the state in coordinating small and medium properties. We discovered that small transit properties could not use this

system readily because the costs of completing a transaction were often greater than the relative benefit.

It was clear that if the state was to have a role, a certain amount of education would be necessary both within the Department and in the bureaucracy. Each of us knows how difficult it is, sometimes, to develop a new procedure in a bureaucracy. Because of the nature of leasing agreements, the Departments of Audit Control and DOT, as well as the legislature, need to sign off on agreements to allow average leasing by particular properties. This involved education and briefing at many different levels and led us to package our materials so that such briefings would be available in written form as non-technical as possible.

Phase II - Policy and Program Development and Planning

Out of this activity a definitional process emerged. It was clear that many transit properties would forego the benefits if they had to engage in complicated procedures. The task, therefore, was to develop a centrally coordinated role in which small transit properties could lease equipment as part of a larger pool and, thereby, lower the transaction cost floor. Further, reinvestment would be monitored by the state but the funds would flow to the operator under a state sign-off. Certain generic legal issues arose which had to be legislatively addressed. The methodology to tie properties together into pools also needed to deal with public bidding, broker selection, and local efforts.

Having helped complete some early deals, it became clear that the pooling of vehicles was a central step in the ability to help transit properties use leverage leasing. We now have a four-transit property deal

ready to go in September in which a leasable interest of $4.6 million will be offered.

Phase II - Promotion

There are some drawbacks to "pool leasing." Each transit property wants to have a local effort to maximize a public relations effort. Further, each has its own bond counsel, which complicates agreements. Local boards or legislative bodies also may have specific brokers in mind. All these serve to complicate problems but are not insolvable. There must be established a broker selection process and a bidding process. Public bidding must be a component of this, yet is not very compatible with the way brokers normally work. We are moving toward a net or upset bid process which advertises for bids in excess of what a broker can get for us.

While safe harbor leasing is a current item, there are other examples of tax benefit transfers. In New York, we have found that our publicity and promotional work has led us to be approached by businesses who wanted to help a transit property. This illustrates the value of promotion. In this situation, a service contract was proposed which would defer costs to the transit property. Other tax benefit transfers are tax-exempt leverage leases and real estate sale leasebacks, such as a sale and leaseback of a transit garage. The tax subsidy on these mechanisms appear to be 20 percent to 40 percent of the capital costs, so they may be worth looking into.

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PRIVATE INVESTMENT IN TRANSIT STATIONS THROUGH PUBLIC ACTIONS

Robert E. Selsam

ABSTRACT

This paper discusses a wide range of alternative means used in New York City to stimulate private investment in transit stations: Projects include:

- joint developments -- projects where a single piece of property is shared by the transit operator and a private developer;
- coordinated development, not necessarily on a single parcel, where the whole is greater than the parts;
- direct private investment in commercial ventures within a station(s) including leasing an entire station(s) to a single developer;
- voluntary private investments such as the "Adopt-A-Station" program where private interests contribute to transit improvement;
- private investment in stations through public incentives or controls.

The paper then focuses on the following types of public incentives, and reviews their applications:

1. <u>Comprehensive Public Development</u>

An example is New York City's current effort to "clean up" Times Square. A complete redevelopment program for the entire area is underway through the cooperative efforts of numerous public agencies, including the MTA, under the auspices of the New York State Urban Development Corporation. A redevelopment plan has been prepared and through a competitive selection, private developers have been selected to develop it. Final lease negotiations are currently taking place.

The plan includes design criteria for individual building sites, as well as plans for the upgrading of the mammoth Times Square subway station complex. Prospective developers know in advance that they must contribute $27 million toward subway improvements. MTA has programmed an additional $12.5 million for a total of $40 million. The comprehensive plan will fully integrate new buildings with the subway system that lies below. One building sits in the middle of the subway complex, and its reconstruction will allow the station to be completely reconfigured with a major new central focus.

This technique is appropriate when the public is controlling an area redevelopment plan.

2. Negotiated Amenity Package

Under this process, a developer needs something from a municipality, and a price is extracted in return. For example, Manhattan's West Side is rapidly changing from predominantly manufacturing to residential uses. A developer has an option on the 60th Street rail yards along the Hudson River with the intent to develop the 12-block-long parcel, called Lincoln West, with nearly 5,000 units of housing plus commercial uses. To obtain the necessary zoning changes and other public approval, the developers have offered an "amenity package" to the City and the local community in the range of $100 million for parks, a waterfront esplanade, street work, and a major transit improvement of a nearby subway station at 72nd Street which is expected to bear the brunt of the new residents. This station

is severely overcrowded, and the developers have agreed to contribute $30 million toward reconstructing this station.

The funding mechanism being used is innovative. The developer must either provide cash up front, a letter of credit, or a letter of credit guaranteeing repayment of interest and principal on a note that MTA would issue to a buyer to be supplied by the developer. In this last way, the development could take advantage of the tax exempt borrowing rate.

While this is an example of private contribution on a very large scale, the technique can work at any scale.

3. Special Zoning Districts

New York City has used special zoning districts in a number of different ways to pay for subway improvements:

- A special Second Avenue zoning district mandated that developers provide free easements for construction of subway station mezzanines, entrances, and concourses.
- A special Greenwich Street District in Lower Manhattan works in two different ways: developers can contribute to a fund for public transit improvements (this has generated over $2 million to date), or they can elect to construct certain transit improvements from a predetermined list of improvements, contained in the zoning itself. Either of these results in floor area bonuses for the building.

4. General Zoning Provisions

A new general zoning code for Midtown Manhattan has just been enacted which directly provides for floor area bonuses in return for major subway improvements. The zoning also mandates that sidewalk subway entrances be relocated into any new buildings. The first project reviewed under the new zoning provisions is a planned development at 53rd Street and Lexington Avenue, directly south of the Citicorp Center, a project that lies between two subway stations not now connected.

The developer will provide an easement through the site, connecting stations, and will construct stairs, elevator and escalator leading to a lower level mezzanine. The City will then fund the remainder of the connection. The total cost of roughly $10 million would be divided roughly equally between the City and the developer.

MTA has been developing a master plan for the use of the new bonus provisions in Midtown, which will specify desired improvements. By avoiding piece-meal development, a whole new subway environment in Midtown can be created through a staged series of public and private investments. There is no practical reason why these bonus provisions for Midtown cannot be extended to the entire City. The potential impact of using private investment to complement MTA's station modernization program, which is part of a $5 billion, five-year program to upgrade the City subway system, is enormous.

Conclusion

The techniques described work, and represent a significant contribution to funding mass transit improvements. In New York City, there are currently underway, or committed, some $75-$80 million in private contributions to the upgrading of subway stations, using these techniques.

* * *

THE LEGISLATIVE VIEW OF TRANSIT FINANCING

Steven Palmer

ABSTRACT

While I am on the permanent staff of the Senate Budget Committee, my views do not represent that institution, nor any other part of the U.S. Senate.

In addition to transportation, my job on the Budget Committee involves the entire gamut of federal funding programs. The best function I can perform is to awaken you to limits imposed on traditional means of financing mass transit, and to discuss the latest happenings as they affect mass transit.

The Federal Budget envisions deficits of $140 billion in fiscal 1983, $160 billion in 1984, and $160 billion in 1985. Major reasons for deficits of this magnitude include massive tax cuts combined with increases in defense spending, and growth in uncontrollable government spending in the last decade. It is in the context of these broader issues that we understand why mass transit is being trimmed back.

In 1967, 59 percent of the federal budget was beyond the control of the Congress. In fiscal 1982, uncontrollable spending will comprise 78 percent of total outlays, leaving Congress with only 22 percent over which it can exert control through the budget process. Of this 22 percent, 17 percent is going to defense programs during 1982, leaving only 5 percent of all federal budget requests for the current fiscal year to be characterized as

controllable for non-defense programs. On top of this, the current administration plans to increase spending for national defense by 58 percent through 1987, and decrease spending for transportation and other discretionary programs by 47 percent. Clearly, it is through reductions in the types of programs that are funded through UMTA that the Administration is attempting to reach a balanced budget.

Specifically, the appropriated levels for UMTA have dropped from $4.66 billion in 1981 to $3.7 billion in 1982. The prospects for 1983 are even dimmer, as the Administration's budget focused on maintaining existing transit systems, with capital assistance grants continued only at about 1982 levels with a limitation on initiating new rail projects. More importantly, however, is the proposed phase-out of operating assistance over three years. Total reductions from 1982 program levels are estimated to be $500 million.

Congressional action began with debate on the budget resolution. Originally, the Senate and House differed by some $231 million. Eventually, it was agreed to assume the House level at $3.495 billion. The authorizing committees then went to work. The Senate Committee on Banking, Housing and Urban Affairs, which has jurisdiction for transit, and the House Public Works and Transportation Committee have sent bills on transit to the respective bodies for consideration.

In the Senate, because of substantial disagreement among committee members on the substance of what the transit authorization (S. 2606) should look like, the committee reported only a one-year bill which continues 1982 funding levels and keeps the current program structure. The Senate bill

currently assumes no increase in revenues to fund mass transit, such as receipts from the highway gas tax, although changes are possible.

In May, the House Public Works and Transportation Committee reported the Surface Transportation Act of 1982 (H.R. 6211), a four-year bill funding transit program at $3.71 billion, about $200 million higher than the Senate's bill. However, it assumes an increase in the gas tax, with one cent dedicated to transit.

H.R. 6211 proposes several major changes. It creates a new formula for awarding funds to urbanized areas, based on service levels. For cities under 200,000 people, the current population/population density formula would apply, while for larger cities funds would be awarded by both a bus and a fixed guideway formula. As presently proposed, the bus formula would be 25 percent population, 25 percent pop./pop. density, and 50 percent revenue vehicle miles. The fixed guideway formula, on the other hand is 70 percent revenue vehicle miles and 30 percent route miles. H.R. 6211 also proposes an amount equal to the 1982 apportionment for operating assistance. However, the bill specifies that if the maintenance budget is more than twice the 1982 operating level, these funds must be used for maintenance. A new section provides that if a city uses funds available to it for operating costs to pay for capital projects, the federal matching ratio will be increased by a percentage amount.

The Small Urban and Rural Section 18 Program would continue in its current structure with dollar amounts increasing over the next four years by 5.5 percent annually.

Life cycle costing and other federal procurement requirements, other than Buy America, would be eased to the extent that an operator could substitute a "competitive procurement process".

The best guess as to the outcome is a one-year bill, which contains the current program structure, or is more aligned with the House bill. Funding levels proposed by the House may have to be scaled back, in view of the president's decision not to increase the gas tax this year.

If next year the President changes his mind and supports the increased gas tax, it would allow both transit and highway officials a steady funding source needed to end the chaos that goes with the present situation of authorizing money for one year yet expecting transit authorities to be able to make long-term plans.

Two weeks ago, the House Transportation Appropriations Subcommittee agreed to provide a total of $3.64 billion for transit programs, a reduction from 1982 levels of only 2.2 percent. It's expected that the bill will go to the full committee later this month. I expect the Senate Appropriations Committee to begin marking up its bill this month.

However, it is late in the current session of the 97th Congress, so there is a likelihood that neither the Transportation Appropriations Bill nor the Mass Transit Authorizing Bill will be enacted prior to the October recess and the new fiscal year, necessitating a continuing resolution until Congress can return for a lame duck session.

Going into Conference Committee, both the House and Senate have agreed to continue Safe Harbor leasing for transit authorities beyond 1982. The

proposed measure would require that vehicles be under contract by March 31, 1983, and placed in service by December 31, 1987, to qualify for SHL/leaseback agreements. All other Safe Harbor leasing provisions would be terminated after September 30, 1985. The bill places limitations on the tax benefits by the corporation buying the tax deductions and sets a 45 percent limit on the portion of equipment which could be financed under lease arrangements by a seller in single year.

As to the future, UMTA is trying to wean local transit authorities away from federal financing by pushing information on promising forms of alternative money sources, including "highly innovative" approaches such as user charges, income or sales taxes earmarked for transit, and joint public-private initiatives.

In terms of the Congress and this Administration, funds are limited and there is intense competition for them -- even among those programs in the transportation area. The need to repair highways, or the Congressional support of popular programs like Amtrak and the Coast Guard, will make it very difficult for mass transit in the coming years. The key is to strike that balance.

* * *

STUDY OF THE FUTURE ECONOMIC STRUCTURE OF URBAN PUBLIC TRANSPORTATION

Michael A. Kemp

ABSTRACT

The Urban Institute & SG Associates, Inc., are currently conducting a study of the likely developments in the economics of urban public transportation services over the next 10 to 15 years, and their implications for public policy. The study was commissioned as part of UMTA's strategic planning activities.

Urban public transportation services are likely to undergo significant changes over this time period, driven primarily by the difficulty of financing continued increases in transit assistance at recent rates. Many of the most innovative responses to transit's financial pressures over the last few years have involved a move towards greater competition in service provision. The study has taken the cue from this observation to explore the likely implications of public policies to foster increased competition. It is suggested that more competitive urban public transportation supply would result in a greater diversity of service forms, using a wider spectrum of vehicle types and providing services more closely tailored to the demands of particular market segments. There would be a reduced requirement for operating subsidies, but a continued need for capital assistance (particularly to address the "recapitalization" problems of the older cities). It is claimed (on the basis of recent experience in Boston, Kansas

City, and elsewhere) that there would be no shortage of firms willing to provide bus transit services with a reduced level of operating assistance. "User-side subsidies," in which operating subsidies are vested in the users of services rather than give directly to the providers, would be the mechanism of choice for distributing public funds meant to enhance the mobility of specific groups of the population. Some "first step" strategies have been suggested by which local governments could foster greater competition in a gradual manner.

Changes in the demand for services will be considerably less influential than financing-induced changes. Since the major growth in demand is likely to be among those market segments which conventional transit is ill-suited to serve efficiently (travel to suburban subcenters, or by transportation-disadvantaged people, for instance), demand trends will probably support the more competitive scenario.

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SESSION 3

MANAGEMENT AND OPERATION ROLES

Gordon J. Fielding, University of California, presiding

James Bautz, Urban Mass Transportation Administration, Session Reporter

PERFORMANCE-BASED CONTRACTS FOR PRIVATE TRANSIT PROVIDERS

Subhash R. Mundle, Booz, Allen & Hamilton, Inc.

PRIVATE AND PUBLIC TRANSIT MIX

James C. Echols, Tidewater Transportation District Commission

COPING WITH THE LOSS OF SECTION 5

Fred M. Gilliam, Memphis Area Transit Authority

THE COORDINATION (OPTIMIZATION) OF PUBLIC AND PRIVATE TRANSPORTATION

Frank W. Davis, Jr., University of Tennessee

CONTRACT MANAGEMENT'S ROLE IN IMPROVING THE EFFICIENCY AND EFFECTIVENESS OF PUBLIC TRANSIT

John Ford, Community Transit Services, Inc.
Paul A. Farrell, Dave Consulting, Inc.

SESSION 3

MANAGEMENT AND OPERATING ROLES

SESSION SUMMARY

James Bautz

The session was quite diverse, consisting of theoretical suggestions for improving performance, a summary of ongoing research, management technique currently used by operator and a report on actual operation.

Subhash Mundle of Booz, Allen & Hamilton, Inc. presented a report on an UMTA sponsored research project to investigate performance based contracts. The idea is to exploit the profit motive to improve performance. This is done in other industries but rarely in transportation. Although about 18 percent of transit properties are privately managed, the management contracts are mostly the fixed fee type.

Mr. Mundle list six types of incentive contracts indicating that the most important was the "incremental" which gives more bonus as performance improver and the "proportional" which provides a linear payment for improved performance. Since there is more than one type of incentive and type of contract, a matrix is established to analyze the choices. This matrix shows the issue of concern, performance indicator, payment type and type of contract. Once the performance indicator and type of payment are selected, the type of contract is easy to choose.

Jim Echols of the Tidewater Transportation District Commission discussed the policy approaches that are necessary to set the stage for dealing with private operators. First, the public body must define the objectives it wants to achieve, such as maximizing ridership or maximizing deficits. Next, the objectives must be explained to the policy board and their support must be obtained. In addition, management personnel in the public organization must support the concept of dealing with private operators since they are the ones that must carry out the program.

Once internal support is achieved, the public body must develop credibility with private operators. After years of indifference, if not hostility, it may take some time to convince private operators that you really do want to work with them and help them. Services must be designed to utilize the strength of private operators and these services must be matched back to the objectives.

In order to deal effectively, public officials must learn the language of the private sector, and they must learn to manage change.

Fred Gilliam of the Memphis Transit Authority presented a planning process developed by ATE, Inc. to help transit operators accommodate to the loss of federal operating assistance funds. The process is an example of strategic planning and it allows local officials to determine what they want to achieve and what alternatives are available to them.

Phase I - a review of the options available in budgeting, management, capital investment, service, revenue and political strategies. Alternatives are generated and evaluated.

Phase II - lays out the steps for implementation.

Phase III - Policymakers are presented with options and choices are made. After approval, the plan is implemented and monitored with a flow chart.

This process provides a framework for determining the role private operators can play and the steps necessary to involve them.

Professor Frank Davis of the University of Tennessee presented an innovative method of dealing with the private sector. He discussed reasons such as economy of scale and utilization, load factor, flexibility and motivation. The challenge is to obtain efficiency without eliminating the things that improve efficiency. Professor Davis discussed the three most common ways of dealing with the private sector and the problems they generate. The public utility approach removes competition and incentive; public buy out of private companies creates the problems we have today; competitive bidding is too restrictive. He suggested that transportation would be merchandized just as Sears or Penneys merchandized consumer goods. A catalog of transportation services can be created for an urban area. A person desiring service can select the most appropriate service and price. This approach will allow free participation of all carriers with a minimum of red tape.

Professor Davis stated that several actors are involved in public transportation: policymakers, providers, customers, funders. He felt these activities should be be provided by the same group. In transportation the same group does perform more than one of these functions, and he felt this creates problems for the public interest.

John Ford of Community Transportation, Inc. mentioned several formerly public functions that have been turned over to the private sector with good results. He feels that transportation can be added to this list.

Mr. Ford discussed a number of services operated by his company under contract. There was a significant diversity in the operations which met local needs and desires. He stated that incentives in contracts are passed on to the employees. Contracting has the following advantages: change in service and size of workforce can be made swiftly, price is set, lower risk in change, good diffusion of best practice if the contractor manages a number of operations and economy of bulk purchase.

Mr. Ford preferred situations where the public agency owned the equipment and contracted for operation.

PERFORMANCE-BASED CONTRACTS FOR PRIVATE TRANSIT PROVIDERS

Subhash R. Mundle

Privately-owned management companies play a significant role in the provision of public transit service. Nationally, there are 686 local fixed route operators. In 1981, eighteen percent of the 686 properties (123) were being managed on a contractual basis by private management companies.

Financial terms and conditions of most of the management contracts are on a standard fixed fee basis, with provision for inflation over the life of the contract. The contract managers are responsible for whatever the contracts provide for, but the relationship between the payments for contract services and the performance of the system is often not specified in the contract. Incentive contracts have been applied successfully in a number of industries. In each application, a decision has been made that extra effort is warranted and that the contractor should share in the risks and benefits of trying to obtain it.

The application of financial incentives within transit management agreements has been suggested as a means to enhance the productivity of contracted transit services. This presentation describes the activities of such a study. Sponsored by the Urban Mass Transportation Administration (UMTA), the study entitled "Development of a Transit Management Incentive Contract Demonstration" will develop alternative contractual agreements and a plan for their demonstration and evaluation. This presentation highlights the results of the study to date. It describes the current

"state-of-the-art" of incentive contracts and contract management with particular focus on transit industry experience. Alternative contracts and incentives will be described, also, with emphasis on those being developed in detail for later demonstration.

PRIVATE AND PUBLIC TRANSIT MIX

James C. Echols

We believe that the service provided should respond to the needs of the people and to the market for transit. Some services, such as bus routes in our older areas, will continue to need public funding support. Other services, such as commuting, must be priced to pay their way. Otherwise, we question our ability to add new services that will not recover their cost.

Developing new services can generate many impediments which need to be overcome, and coordination with and use of private transportation operators will require substantial effort by transportation managers.

Increasing the involvement of private operators and developing new services requires a large amount of policy board and management insight and initiative since most new services are being started for the first time. They will need substantial revision between the time something is proposed and when it is implemented.

Using private operators to provide new and innovative services represents a change in the status quo and therefore generates reaction from existing providers of transportation services. Several large taxi companies, as a specific example, have viewed our neighborhood bus substitution services as an infringement on their market, and have resisted our expansion of these services. They have declined to bid on operating the services under contract, and have sought changes in TTDC's enabling legislation to restrict the scope of our services.

We believe that there is a high potential for payoff in using private operators to provide less costly and more useful services through offering a wide range of public transportation services. The effort required to change will be repaid many times over if we can continue to provide transit services that would otherwise be dropped because they are too expensive to fund. In the example of substituting neighborhood van type services for bus routes, both taxi company and transit system employees have resisted the change. However, if transit is to continue in many neighborhoods for the benefit of our citizens, we must find new ways to provide at least a basic public transportation service.

COPING WITH THE LOSS OF SECTION 5

Fred M. Gilliam

MEMPHIS AREA TRANSIT AUTHORITY

A Management Planning Process (MPP) represents a structured approach to the process of planning for the loss of federal transit operating assistance. Virtually every U.S. transit system will face a different range of consequences resulting from the loss of federal funds: the MPP, as used by the Memphis Area Transit Authority, was designed to be flexible enough to meet the changing financial requirements of the system and to account for the recognized roles of transit managers, transit technicians, and public policy makers.

The MPP has been designed as a three-phase process to help the system move from problem identification to the implementation of locally adopted policies. The purpose of Phase I is to provide a series of budget scenarios, service alternatives, and policy options available for selection by the local Board of Directors to reduce or eliminate the impact of the loss of federal operating assistance.

Phase II activities focus on the details of the policy option implementation process and depend directly on the policy direction adopted by the Board of Directors at the conclusion of Phase I. Detailed action steps are prepared for each policy option selected, and are scheduled for implementation in coordination with related system objectives.

At the beginning of Phase III (Implementation) the local board is presented with a summary of the implementation process, the revised budget and route structure scenarios and a report mechanism for monitoring progress during the implementation. Phase III then is the actual implementation of the selected service scenarios and policy options.

THE COORDINATION (OPTIMIZATION) OF PUBLIC AND PRIVATE TRANSPORTATION

Frank W. Davis, Jr., Ph.D.

Research into transportation resource management must focus on the structure of the industry and the relationships between the players. It matters not whether we call the process "privatization" or "coordination" the basic question remains: "How do you structure the process so that there are adequate checks and balances and management controls?" This is analogous to the process that rail, air and trucking, and intercity bus have recently gone through as these industries are restructured from public utility regulation to greater reliance on competitive forces. The local public transportation issue is more complex in that there are two dimensions of rethinking its regulatory structure:

- How can the industry be restructured to allow more of the service to be provided by market forces?
- How should government manage the blending of publicly owned and publicly contracted services to accomplish specific public objectives that cannot be met through private market services?

To answer these questions extensive emphasis must be placed on rethinking local public transportation policy, developing new contracting procedures and devising new reporting systems to evaluate the cost effectiveness of daily management decisions required to implement the new policies.

The reformulation of policy requires a system of checks and balances between the various actors in the process: the policy makers, the policy administrators, the competitors, the funders, and the users. This process is quite different from regional transportation authorities being responsible for policy making and administration as well as providing service and funding.

Contracting procedures must allow service changes to meet changing user needs, that maximize service options, that allow contracting agencies flexibility to select the service that best meets their needs, and that insure that the contracting procedures do not stifle competition. These conditions are totally different for competitive bidding for facilities or products. Just as the military and NASA had to develop their own contracting procedures so public transportation agencies will have to develop new procurement arrangement to reflect the different conditions.

The public agencies will also have to develop new management reporting procedures to monitor the process. The public utility process is not workable in a competitive system. Neither the facility (or project management) process nor the competitive bidding process are appropriate for procuring services. New management procedures must stress measuring service level needs for each disaggregate need. Next, the procedure must be structured to measure the cost-benefit fit between the current service and alternative services. Although these procedures are new to the government they are well established within the logistics discipline used by companies (and the military) that must coordinate the purchase of transportation and the operation of their own fleets.

CONTRACT MANAGEMENT'S ROLE IN IMPROVING THE EFFICIENCY AND EFFECTIVENESS OF PUBLIC TRANSIT

John J. Ford
Paul A. Farrell

The efficiency and effectiveness of public transit is an urgent issue in a time of dwindling government aid and rising operating costs. Faced with this dilemma, a transit property must take positive steps to combine their service inputs and plan their service output so that service is delivered in the right manner for the lowest cost.

Private industry, long concerned with efficiency and effectiveness and their contribution to profits and growth, can team up with public transit for their mutual benefit. Examples of this mutual benefit can be found in other types of government services which are being managed by private firms. Services such as fire protection, garbage collection, and air traffic controlling, which were once managed and operated publicly, are being turned over to private contractors who are running them more cost-effectively and often with a higher level of service. By hiring a competent management and operation firm, the contracting agency can achieve greater flexibility so that service can be expanded or reduced with minimal risk to the contracting agency. Also, through the use of a contractor, prices per unit of service are not only lower because of competitive bidding, but the prices are firm and bound by contract. Additionally, a contractor often has a variety of resources available which can be employed

as required, including innovative management techniques, marketing approaches proven at other managed properties, and specialized professional staff.

The private management of public transit is already widely practiced and has produced good results. The fixed-route system in eastern San Diego County, for example, recently reduced their cost per service mile by $1.26 through competitive bidding. At the same time, ridership per vehicle service hour, a measure of effectiveness, improved 22 percent in six months. Eastern San Diego County, therefore, is carrying more riders at lower cost and achieving the goals of public transit.

SESSION 4

PARATRANSIT ROLE IN IMPROVING PUBLIC TRANSIT PRODUCTIVITY

Ronald F. Kirby, Urban Institute, presiding

Richard L. Oram, Greater Bridgeport Transit District,
Session Reporter

TRANSIT INDUSTRY VIEW OF THE ROLE OF PARATRANSIT SERVICES

Molly Kuntz, American Public Transit Association

SUCCESSFUL COORDINATION OF TRANSIT AND PARATRANSIT*

Michael Dewey, Southeastern Michigan Transportation Authority

PRIVATE-SECTOR INVOLVEMENT IN THE PLANNING PROCESS*

Barbara Berrent, Colonial Taxi and Paratransit System, Inc.

PRODUCTIVITY OF PARATRANSIT/TRANSIT SERVICES

A. Jeff Becker, Tidewater Transportation District Commission

SERVICE ATTRIBUTES AND THEIR INFLUENCE ON PRODUCTIVITY

Anthony M. Pagano, Claire E. McKnight, and Robert Paaswell,
University of Illinois at Chicago Circle

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* No paper or abstract available.

Paratransit Role in Improving Public Transit Productivity

Ronald Kirby, Presiding

In earlier sessions at this conference we have heard a great deal about public-private roles in the provision and financing of public transportation. In this session we will focus on another dimension of public transportation, that of service type and quality.

The notion of paratransit, initiated by UMTA in 1972, pointed out the potential diversity of services in-between conventional transit and the private automobile. The forerunners of this paratransit concept were dial-a-bus, heavily funded by UMTA R&D, informal car pooling, and (to a lesser extent) subscription bus services.

The primary point of the initial paratransit work was to make the distinction between service type and service provider. Dial-a-bus, which formerly had been seen as a bus service, was considered as a service which could be provided by taxi companies, for example, and fixed route service was something which could be provided by small buses and even automobiles as well as conventional buses and rail cars. It was argued that the term "mass transportation", as in Urban Mass Transportation Administration, should be broadened to include a wider range of paratransit services. This idea was developed by UMTA into a draft paratransit policy statement, which appeared in the Federal Register in 1976. As we know, the next step, finalizing the policy, has proven too much for some three or four successive UMTA

Administrators. As Ray Sander (UMTA's executive director) mentioned Sunday night, yet another Administration is "close" to issuing a final policy.

The delay in issuing this policy has not been simply a paperwork problem. A number of complex problems have been raised, including the role of transit agencies, the implications of the 3(e) private sector participation requirement, and the 13(c) labor protection clause of the UMTA Act. Because of these factors, many in UMTA feared that such a policy would tie the UMTA program up in red tape: others that the heavy hand of federal policy would be counterproductive. Note that the problems were not really with the idea of service diversification per se, but with the implications for labor protection and private participation. Many hours of debate and discussion have been devoted in Washington to these issues, but to date these discussions have always ended in "let's wait." Time and again the policy has been relegated to the "too hard" box. Meanwhile, administrations have changed, new people have come in, and the whole cycle of discussion has started over again. We are now at the end of the fourth such cycle. What the outcome will be remains to be seen.

Meanwhile, on the bright side, the potential of paratransit services has been recognized at the state and local levels. There have been three major pressures for service diversification: the needs of the E&H, fuel disruptions and price increases, and now, the fiscal crisis facing transit. So we have had "bottom-up" development from the local level, and from policies and funding at the state level. In addition, by persuading UMTA to allow some of its Section 5 funding to be used for shared taxi and

ridesharing, state and local Governments have effectively promulgated a "de facto" UMTA paratransit policy.

This paratransit service diversification at the state and local level, and with it diversification of service providers, was seen initially by many in the transit industry as threatening competition. However, more recently this diversification has been undertaken by some transit operators themselves as a means of improving the overall productivity of their systems. Some considerable success in these undertakings has led to a rethinking by the transit industry of the role of paratransit services. This leads me to believe that the attitude of the transit industry will be very important in the evolution of public transportation services and in the relationships between public and private transportation operators.

PARATRANSIT ROLE IN IMPROVING PUBLIC TRANSIT PRODUCTIVITY: SESSION SUMMARY

Richard L. Oram

The role of paratransit in improving the productivity of public transit is perhaps the strongest rationale for increasing the involvement of the private sector in the provision of public transportation. In addition to cost effectively increasing the supply of transit services, by integrating public and private providers of conventional and unconventional services, it is possible to improve the productivity of existing operations. In recent years, growing interest and experience in this area has moved this proposal from the conceptual level to an increased number of local projects and innovations. It is now commonly accepted that private operators can be favorable providers of specialized (elderly and handicapped) transportation. Private transit operators are also very common in the longer distance commuting markets, often as subscription buses. These services often would not be provided other than with private operators, as publicly operated cost factors are very high for peak-only/dead-head services. More broadly, car and vanpools, promoted by employers, can be the most cost effective transit alternative, and where properly integrated with conventional transit can yield productivity gains for the public operator as well. Taxi operations, as feeders or substitutes for low productivity regular services, are also playing an ever larger role nationwide. There are many other examples.

What is perhaps most encouraging in this area is the increasingly apparent change in attitudes by established transit operators regarding the role of paratransit. To say that the subject has been controversial in the past is an understatement. And while labels of "piracy" or "skimming the cream" are still raised in discussing alternative services, the alternative view of "load shedding" or "skimming the deficit" is gaining credibility. Above all else, the cooperation of established operators in finding the right role for new services is essential to success. In a positive environment where new services can be approached in a planned and controlled way, all parties (rider, established operations, new operators, union employees, the public purse) can benefit. In a threatened and antagonistic environment, no coordination or effective substitution can result, and fears of excessive competition, lost revenue and jobs, etc. can also be a likely result. Hence, the now positive disposition of some operators and the increasing attention to paratransit by the American Public Transit Association is a profoundly favorable development. Overall the session provided background, an update and some outstanding examples of the paratransit movement. Dr. Ron Kirby, session moderator, summarized paratransit history, stressing the need for higher quality and increased and more diverse types of transit service as primary rationales for the emergence of paratransit as an increasingly proposed and accepted transit alternative. He also stressed the distinctions between service type and service provider as issues that the paratransit movement has helped clarify. He identified the major motivations and impediments to

paratransit's further development, as its second decade of formal development begins. We can anticipate that before long people will have to be commissioned to write "the history of paratransit," or at least the history of the Paratransit Policy Statement. Perhaps the best proof of the increasingly accepted validity of paratransit services was offered by Molly Kuntz of the American Public Transit Association (APTA), who presented a very encouraging summary of APTA position and activities that seek to foster paratransit as transit elements integrated with conventional services provided by APTA representative properties. She stressed that APTA is now encouraging a middle ground, open-minded and evolving perspective on paratransit; APTA recognizes that the transit financial problem is not a temporary issue, and sees "necessity as the mother of invention." We look forward to the policy papers (on paratransit, the private sector role in transit and the future of public transit) and the results of their new Ridesharing Task Force's activities. While APTA's delineation of paratransit is presently limited in scope, emphasizing car and vanpooling and special service coordination, it is expected to broaden as their formal consideration of paratransit services continues.

Mr. Mike Dewey of SEMTA outlined the roles and differing types of provision of paratransit service in the Detroit area. Their experience with public, private and non-profit approaches to paratransit operation is perhaps the most extensive in the U.S. Mike's perspective, that there's a "life and death" cyclical pattern in the ways paratransit is operated (i.e., their experience that problems have developed over time in both public and

privately operated paratransit services), suggests the need for more research and improved methods for contracting and managing paratransit that will yield more consistent and stable services. Or perhaps instability is an inherent element of paratransit, representing an ongoing management cost that in a yet unquantified measure offsets, in part, the operating advantages of paratransit.

Colonial Taxi's most able manager, Barbara Berrent, summarized their history as a paratransit operator in the Pittsburg area, and provided a valuable critique of the public-private interface, emphasizing the frustrations and impediments that taxi operators have in contracting, negotiating, maintaining stable relationships with public agencies. She stressed that many taxi companies, perhaps the most typical operators, have real difficulties understanding the public process and the often complicated requirements of transportation planning and funding programs. Very simple but none-the-less real problems can undermine the otherwise most promising of public-private transit projects.

Mr. Jeff Becker of the Tidewater (Norfolk, Va.) Transportation District Commission (TTDC), summarized their experience with paratransit as integral elements of the services provided by TTDC. In developing dial-a-ride, minibus, regular bus, commuter bus, vanpool and route taxi programs, TTDC's foremost objective is the minimization of deficit per passenger. He summarized the multi-modal service identification, evaluation and budgeting processes. The general thrust of their service development program was displayed graphically, with the deficit per passenger of each route or

service charted against passengers. Service substitution and overall management issues are faced as an attempt to move each route or service toward carrying the same riders at less subsidy, more riders at the same subsidy, or a combination of such changes. TTDC is very enthusiastic with paratransit options in enabling the continuation of transit services in areas or times that otherwise, due to inadequate budgets, would be deleted.

Dr. Anthony Pagano of the University of Illinois at Chicago Circle delivered the final paper, which described an ongoing research project on productivity improvement of elderly and handicapped special transportation services. High service productivity was found to be associated with the specific type of service offered, the type of operator providing the service, and unique characteristics of the markets served. The project seeks to clarify productivity links with quality of service, and to develop standard quality measures for such use.

TRANSIT INDUSTRY VIEW ON THE ROLE OF PARATRANSIT SERVICES

Molly Kuntz

American Public Transit Association

The public transit industry is actively seeking to improve its performance and productivity as it works to keep costs and revenues in balance. This process raises difficult questions about whether the quantity and type of services traditionally offered by public transit agencies can or should be sustained. While productivity gains have been achieved by many agencies, services currently offered or planned may no longer survive the application of more stringent performance and minimum cost recovery standards. Yet the public's need for these services remains.

Paratransit offers an alternative to conventional fixed route transit service and holds promise as a partial solution to the service reductions that many transit systems are now contemplating. Although willing to consider paratransit alternatives, however, there is uncertainty among transit managers about how effective or economical paratransit can be, particularly in replacing high occupancy transit services, and whether institutional, financial, regulatory and other problems can be sufficiently resolved to allow for effective paratransit programs to be integrated into a regional service network. In an effort to address some of the more pressing practical aspects of paratransit, APTA's Ridesharing Task Force is currently preparing an issue paper on the subject for industry-wide review and discussion.

PRODUCTIVITY OF PARATRANSIT/TRANSIT. SERVICES

A. Jeff Becker

Transit agencies may adopt a variety of paratransit services by redefining their goals and objectives and rethinking ways of assessing their services. The Tidewater Transportation District Commission (TTDC) has a goal of getting more people into fewer vehicles. Its principal objective is to maximize ridership subject to a maximum allowable deficit. This objective correlates with that of the private firm which is to maximize profits subject to a maximum allowable investment. The measure of the attainment of this objective is deficit per passenger which corresponds to profit per widget for the private firm.

Decisions on what kind and how much transportation service will be provided are made within the budget process. The annual budget problem is to carry the most passengers at the least cost and to produce the most efficient services at the least cost. The solution is to rank all services (bus routes, demand responsive, commuter pool, etc.) by deficit per passenger, from lowest (best) to highest (worst). Then move down the ranking list summing the deficit for each service and produce all those services until the deficit equals the budget limit.

The evaluation scheme must be able to analyze both transit and paratransit services in ways that are compatible with each type of service and, at the same time, allows easy comparison. Bus routes, portions of routes, service periods (e.g. peak, night), vanpools, buspools, minibus, demand responsive areas, etc. can all be evaluated and compared by the measure deficit per passenger.

The evaluation of these services is a recursive process which might go as follows:

1. Calculate deficit per passenger for each service;
2. Rank all services together;
3. Investigate worst performing services;
4. Consider ways to improve this measure including substitute services - choose the one with the lowest deficit per passenger.

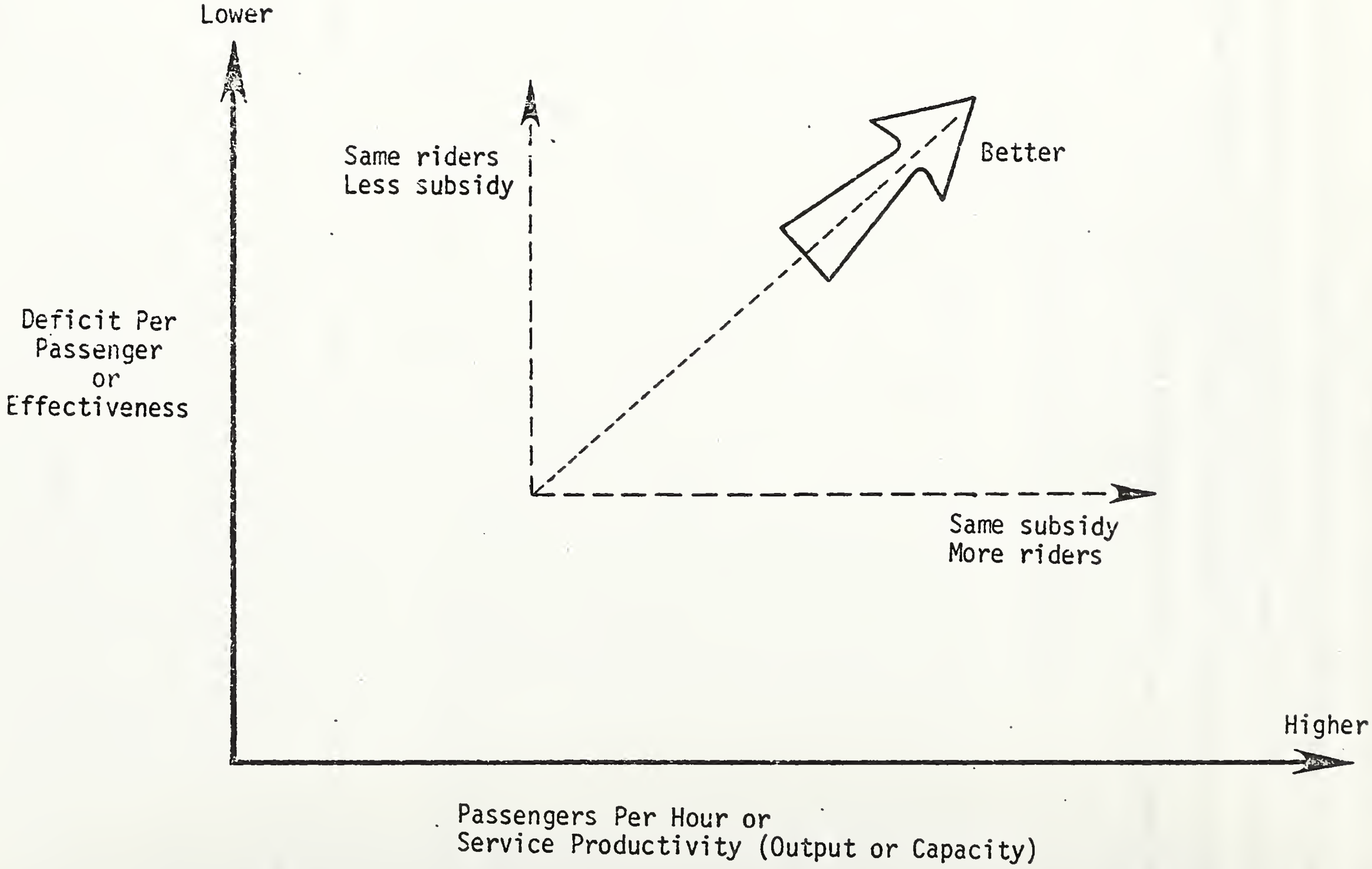
TTDC developed a graphic representation as a way to clearly illustrate this single measure performance evaluation. The vertical scale is deficit per passenger or effectiveness; the horizontal scale is passengers per hour or service productivity (output or capacity). Moving to the right is better because for the same subsidy there will be more riders. Also, moving up is better because the same number of riders is maintained with bus subsidy.

TTDC calculated the deficit per passenger for each of its services: each bus route, minibus route, vanpool and dial-a-ride service area. Also calculated was the riders per hour carried. These coordinates were plotted on the graph which is attached. Review indicated that the observations for each service type fall together within domains.

These domains illustrate the range of characteristics of each service type and a way to analyze the feasibility of individual services. Note that domains are clearly defined and do not overlap; service types are not competitive. Poorly performing services are easily identified; they are in the lower left corner of the domain or in no domain at all. Possible service options are readily displayed; for example, a bus route appearing in a minibus domain.

TTDC has implemented this evaluation scheme and found that it can compatibly and very productively identify, evaluate and implement vanpooling, buspooling, feeder services, minibus service and other contract services. This has been especially useful in substituting paratransit services for transit services which would have been severely reduced or eliminated due to pressing budgetary limitations.

SINGLE MEASURE PERFORMANCE EVALUATION
A GRAPHIC ANALYSIS



SERVICE ATTRIBUTES AND THEIR INFLUENCE ON PRODUCTIVITY

Anthony M. Pagano
Claire E. McKnight
Robert E. Paaswell

Increased productivity of special transportation services for the elderly and handicapped has recently become a research topic of special concern. This paper explores the relation of productivity (measured as passenger trips per service hour) to attributes of the transportation service and providing agency. It is based on data collected from 36 special service agencies and case studies of 12 coordinated special services.

Private-for-profit agencies had the lowest productivities, private-non-profit agencies had the highest and public agencies were in between. This can largely be explained by looking at the type of service provided by the agencies. For profit agencies (in these samples) provide demand-responsive, many-to-many transportation. Both attributes tend to lower achievable productivity, while providing more service to the passengers. Non-profit agencies are more likely to provide many-to-one service. Both non-profit and public agencies often use variants of demand responsive service, such as subscription or route deviation, which increase productivity.

Another factor that decreases productivity is the percentage of wheelchair users among the passengers. The private-for-profit agencies in our sample had a large proportion of wheelchair users which helps to explain their low productivities.

Finally, productivity is a function not only of the number of passengers carried but also of the extent and quality of service provided. Measures of quality of service should be developed and incorporated into standard measures of productivity.

In order to begin to assess quality of service in special services paratransit, a list of service attributes was developed. The service attributes were then categorized into eight service aspects, each representing a basic overall dimension of service quality. The eight service aspects and corresponding service attributes are shown in the accompanying figure.

In order to assess the importance of each of the aspects and attributes in determining quality of service, a questionnaire was mailed to users and potential users of special transportation service for the elderly and handicapped. The questionnaire asked each respondent to rank each of the overall aspects as to its importance in achieving high quality service. The individuals were also asked to rank the service attributes under each aspect as to importance in attaining that aspect of service quality. One hundred fifty five usable responses were received.

Median rankings for each of the aspects and attributes were then developed and are shown in the figure as the numbers in parenthesis. The more important the aspect or attribute from the users' perspective, the lower the number.

As can be seen from the figure, the respondents indicated that reliability and on time performance is the most important aspect of service quality. The least important are comfort and responsiveness to the individual. The most important service attributes under each aspect can also be obtained through examination of the median rankings.

ASPECTS AND ATTRIBUTES OF QUALITY OF SERVICE

RELIABILITY AND ON-TIME PERFORMANCE (2)	Notification of delays or cancellation of service (2) Wait time (from time of reservation or schedule) for pick-up at home (4) Wait time (from time of reservation or schedule) for pick-up away from home (4) Arriving at destination on time or within a few minutes of scheduled time (1) Few delays while on vehicle (4)
COMFORT (7)	A guaranteed seat or location for wheelchair (1) The condition and cleanliness of the vehicle (4) The Smoothness of the ride (4) Air conditioning and good ventilation (4) Sheltered waiting areas for pick-ups away from home (3) Seats in waiting areas for pick-up away from home (5)
CONVENIENCE OF MAKING RESERVATION (4)	Accommodation to changes in reservations (3) Being picked up at times selected by travellers rather than present times (2) Shortness of reservation time (2) Convenience of return reservation procedure (3)

(over)

EXTENT OF SERVICE
(4)

Total number of hours during which service is available (2)

No or few restrictions on where vehicle will go (2)

Service in evening (4)

Service on weekends (4)

Low rate of turning down reservations because of limited capacity (3)

VEHICLE ACCESS
(4)

The width of the aisle (4)

Height of first step (4)

Number of steps (5)

Presence of wheelchair lift of ramp (2)

Assistance in getting from vehicle to destination (4)

Assistance in carrying packages (4)

Short distance from house or destination to vehicle (3)

SAFETY

Low probability of personal assault (3)

Low probability of falling (3)

The type of tie down (3)

The position of the wheelchair in the vehicle (4)

Low probability of an accident (1)

(over)

	Ability to handle medical emergencies (3)
DRIVER CHARACTERISTICS (4)	Courtesy and friendliness (2)
	Knowledge of general needs of elderly and handicapped users (1)
	Familiarity with habits and needs of individual user (4)
	Neatness and professionalism (3)
RESPONSIVENESS TO INDIVIDUAL (6)	Courtesy and friendliness of telephone operators (2)
	Ease of getting clear information on service (1)
	Receptiveness to complaints and user suggestions (3)
	Procedure for following up on complaints (3)

SESSION 5

ROLE OF PRIVATE BUS INDUSTRY

Carole A. Foryst, Urban Mass Transportation Administration, presiding

Theodore F. Ehrlich, Ehrlich Associates, Session Reporter

PRIVATE VS. PUBLIC PROVISION OF BUS SERVICES: THE SPIRIT OF COOPERATION OR COMPETITION?

Francis P. Mulvey, American Bus Association

PRIVATE OPERATORS' CONFLICT WITH PUBLIC TRANSIT AGENCIES

Paul Harmon, Pacific National Lines

CAPITALS' EXPERIENCE WITH PROVIDING COMMUTER SERVICE IN PENNSYLVANIA

Richard Maguire, Capital Bus Company

PRIVATE INDUSTRY PARTICIPATION IN DEVELOPMENT OF RURAL TRANSPORTATION SYSTEMS

Jerome J. Rudnick, Michigan Department of Transportation

CONTRACTING WITH PUBLIC TRANSIT AGENCIES

Ray A. Mundy, University of Tennessee

ROLE OF PRIVATE BUS INDUSTRY

SESSION SUMMARY

Theodore F. Ehrlich

The session was opened by brief remarks from Carole Foryst of the Urban Mass Transportation Administration. She emphasized the importance of this conference to the Reagan administration's goal of a better public-private balance in the provision of transportation services. She felt that this would result in better service, more competition, and economic benefit.

Francis Mulvey of the American Bus Associaton (ABA) questioned whether the spirit of competition or cooperation governed the provision of bus services.

Although the Urban Mass Transportation Act calls for the use of private operators to the "maximum extent feasible," public agencies have seldom sought private provision of service. Where opportunities for more efficient private operation have become evident, barriers erected by both sides have impeded agreement. These barriers stem from mistrust and differences in goals and procedures. Public agencies distrust private profit motives, and private operators question public sincerity as evidenced by bureaucratic contractual requirements and less then full cost service computations.

In addition, a recent ABA membership survey has pointed out that illegal public competition, particularly in public charters operated outside certificated areas and tiems, is felt to be a severe problem. Public operators consider these competitive services as incidental to regular route operations, and recover only out of pocket costs. Private operators,

however, must recover full actual costs, including overhead, capital, and return on investment. This can occur because public operators have the goals of maximization of revenue, ridership and service, while private operators must run as businesses in order to survive. Of 1500 intercity bus companies, the great majority are small firms relying heavily on charter and tour business.

Public mass transit offers subsidized service to promote legitimate public goals such as alleviation of congestion, energy conservation, pollution abatement, economic development, and income redistribution. Private bus operators agree with the goals of subsidized transit, but do not agree with the diversion of subsidy money toward services which private carriers can provide.

Public agencies tend not to follow their own rules, regulations and bureaucratic processes when changing services on their own, but readily apply these lengthy steps to contracting with private companies. Cooperation becomes the exception rather than the rule. A major obstacle involves the lack of consistent and equitable cost comparisons and full cost pricing when comparing public and private provision of service.

The four basic problem areas which but operators have identified as barriers to greater cooperation are:

- o Non-responsive bureaucratic rules, regulations, and authority;
- o Inequitable cost comparisons between public and private operators;
- o Inadequate service specifications upon which to base business and financial decisions;

- Public agencies using tax dollars to subsidize public operations which directly compete with private operators.

Two areas requiring solutions are:

- Restrictions to private carrier participation should be removed, by educating private carriers about available opportunities and methods of communication, and encouraging private carrier service suggestions.
- Public carriers must be required to include the same cost considerations in pricing as do private carriers.

UMTA can help by requiring private participation in planning and operating services; defining safeguards against unfair public competition; enhancing communications; compensating adequately for franchise and property acquisition; and requiring public operators to include all costs, including capital, in charter pricing.

Richard McGuire, President of Capitol Bus Company, discussed Capitol's experience in providing commuter services in Pennsylvania.

Founded in 1936, Capitol earns about half of its revenue from charter, tour and special operations, and the remaining half from scheduled line services. Particularly recently, line service revenue has not covered its cost of operation.

One of Capitol's two commuter lines serves Reading, Lebanon, Harrisburg and intermediate small communities. In 1976, Capitol requested subsidy from the Pennsylvania Department of Transportation to continue this service which had become a high-loss operation. Purchase of Service Agreements were contracted with the two Public Transit Authorities through whose territory the line operates. The agreements call for the combination of UMTA Section 5, State, and local subsidies, plus farebox revenue, to cover 97% of ICC

operating cost for additional services added. Interest cost for financing new equipment, and also profit, are not covered.

The local share of subsidy money has been provided by Capitol, since both M.P.O.'s have reserved these funds for the use of the local publicly operated bus transit authorities. Further, payment for contracted funds due is normally delayed up to six months. Currently, one of the two authorities has not paid any amounts due for over one year, since they are holding those funds for their own use.

Of the thirteen Counties traversed by Capitol's scheduled lines, twelve are involved with public bus authorities. Each has attempted to start bus service directly competing with existing Capitol routes, but has backed off upon Capitol's objections.

Capitol's second commuter line serves Pottsville, Reading, Philadelphia and intermediate towns. This line is profitable without subsidy. In 1965, Capitol purchased this 95 mile route from the Reading Railroad, which intended to discontinue paralled rail passenger service. Upon objections to rail discontinuance voiced at public hearings, SEPTA subsidized the rail service (to 40 miles beyond its area), for millions of dollars a year and at fares considerably lower than the previously equal bus and rail fares. Capitol then reduced bus service to two runs a day.

In 1981, SEPTA discontinued rail service, since a new State law required local shares, which local authorities refused to provide. Capitol matched and then increased bus service comparable with the previous train service, keeping fares the same as previous train fares.

In contrast, the losing Reading - Harrisburg line has high commuter peaking, heaviest loading in the 8 to 12 mile range, and runs on slow speed roads. The Pottsville - Philadelphia line has much off-peak traffic, carries commuters on an average of 60 miles, and runs on a high speed toll road. The Pottsville line has twice the load factor of the Reading line.

Considering the future of commuter services, equipment and labor costs will continue to rise. The State of Pennsylvania will not replace Federal operation subsidies. Deregulaton will create new competition for charter and tour service. Scheduled line services will therefore have to stand on their own since operator cross-subsidies will no longer be financially feasible. Open contracting, allowing private operators to bid on desired services, such as been traditionally done in the pupil transportation field, will lead to greatest efficiency.

Jerome Rudnick of Michigan DOT described their program of private industry participation in the development of rural transportation systems.

Marquette County, the largest county east of the Mississippi, provides an example of scheduled service. The county contains Marquette University, an Air Force base, and two small cities. Total population is 60,000. City service is provided by local authorities, but other service is supplied by private intercity companies chosen by RFP and placed under contract with local authorities. Terminals have been built with UMTA and State money, and internal space rented to restaurants, travel agencies, etc.

Bus pools for transportation from rural areas to work sites are provided by thirteen private companies (of the 86 intercity carriers operating in the State). The State has built carpool park and ride lots, shelters at the

lots, and installed intercity bus stop signs. Little other direct public assistance is provided; a few bus pools were subsidized at start up, if future breakeven was expected. Equipment varies from school buses to MC's and employees are frequently used as drivers. Full ICC costs (including depreciation) are used; some equipment has been loaned. The bus pools have achieved a 58 percent average load factor, and the private companies have been cooperative, willing, and involved.

A telephone survey indicated that seven companies were formed to provide the buspool service (Group I), while the remaining six companies (Group II) also provide regular route intercity service. Group I companies, using workers as drivers, have less than half the operating cost per mile of Group II carriers, but earn about two thirds of the Group II average revenue per mile. The Group I carriers are therefore profitable, while Group II service reduces losses of these companies. All companies pick up at collection points. For the twenty routes operated to ten employment centers, the average one way trip length is 52 miles, or 1.1 hours.

The following chart shows service characteristics for each Group, and totals:

	Group I	Group II	Total
Type	Bus pool only	Intercity	
No. Companies	7	6	13
Drivers	Workers	Full time	
No. Vehicles	15	9	24
Occupancy	51%	69%	58%

Passenger/Vehicle Hour	20	29	23
Passenger Mile/Bus Mile	22	28	25
Passenger Miles Per Gallon	132	168	150
Operating Ratio	88%	138%	111%
Operating Cost/Bus Mile	.59	1.28	.85
Revenue/Bus Mile	.67	.93	.77
Operating Cost/Passenger	1.38	2.35	1.81
Revenue/Passenger	1.57	1.70	1.63

For comparison, the following chart shows operating cost per passenger for a 50 mile one way trip (1981 values):

Drive alone	$5.98
Four passenger carpool	$1.91
Twelve passenger vanpool	$2.95
Fifteen passenger vanpool	$2.33
Existing buspool	$2.75
Potential buspool	$1.59

Ray Mundy of the University of Tennessee spoke in his capacity as the Executive Director of the Airport Ground Transportation Association. He described a recent report "Overcoming Barriers to Private Sector Transportation Contracting With Public Agencies," sponsored by AGTA, the American Bus Association, and the International Taxicab Association.

In assembling reasons why public agencies should contract with private transportation companies, the following are significant:

- Private companies can be more efficient, and provide a better product at lower cost, since this is required by the competitive atmosphere in which they normally operate.

- Private companies can be used to test a particular market. It is hard to stop a publicly provided service once started, even if financial support is not available.

- Private agencies require only minor levels of assistance. Public agencies frequently "kill flies with telephone poles," subsidizing heavily to handle very small markets.

- Private carriers can better perform market segmentation. Public agencies frequently provide equally bad service for everyone.

- Public contracts in this country can be very flexible, with some effort on the part of the public agency.

- It is the law (private companies must be used "to the maximum extent feasible").

The problems commonly appearing for all types of private providers may be described in the following series of contrasts:

- Entrepreneur (free, flexible, fast acting) vs. government control (rigid, slow)

- Competition vs. cooperation

- Small business vs. big government

- Sunshine act disclosures (bidding process) vs. competitive secrets.

- Different mechanism and standards for evaluation

- Different accepted procedures and practices

- Different "contract" requirements (handshake, telephone agreement vs. 80 pages of "standard clauses")

- Lack of knowledge about each other

- Government pays slowly, does not pay interest vs. 30 day net and 20 percent compounded.

A random telephone survey of taxi operators showed that 39 percent had no government contract experience, 49 percent had contracts and had bad

experiences, and only 12 percent had contracts without problems.

Problems specific to the taxi survey included the attitudinal barriers of mutual distrust, the private's feeling that government should not be involved in their business, and the government's feeling that taxi service must be too costly.

Other problems areas included:

- RFP's complex, lengthy, and not publicized directly to the private operators.
- Unfair cost comparisons, and highly restrictive bid procedures.
- Selection process too lengthy, and contract period too short.
- Public administrative procedures, including 13c, 504, required reports, and delayed payments, are foreign to private operators procedural history.

According to the ABA industry survey, 41 percent of private operators cited unfair public competition with their operations, 23 percent cited unfair and illegal competitive airport operations, 28 percent protested formal DOT or UMTA regulations, and 38 percent had public contracting experience.

A nationwide telephone survey of regional Federal transportation offices (and State agencies) showed that 22 states have no private Section 18 agreements, 8 states have only one contract, and three states (NY, PA, MA) have significant programs. Only 18 states use Section 5 funds to contract with private operators.

Specific operational recommendations from the study include:

- o Involve private operators early in the process
- o Improve the RFP procedure
- o Keep agreements operationally simple
- o Develop mutual trust
- o Develop both formal and informal mechanisms
- o View the contract as an evolving process

Specific recommendations pertaining to states include:

- o Remove restrictive regulations and laws
- o Sponsor experimental programs
- o Provide contracting guidance
- o Prepare sample contracts and analytical aids.
- o Enforce supportive regulations

In summary, the problems found were heavily attitudinal on both sides. The private companies were envious of public resources and independence, while the public staff distrusted the private profit motive. The public agencies used a dual standard in considering new services. Mutual trust could lead to revisions of procedures on both sides, resulting in the mutually desired goal of improved levels of transportation service with minimum straining of scarce resources.

PRIVATE VS. PUBLIC PROVISION OF BUS SERVICES: THE SPIRIT OF COOPERATION OR COMPETITION?

Francis P. Mulvey

The Urban Mass Transportation Act calls for the use of private operators whenever and wherever possible to the "maximum extent feasible." The current financial crisis facing many state and local public transport agencies created an opportunity for private sector transportation providers to fulfil finally the legislative mandate and to replace the public operators for many services.

Unfortunately, there are serious impediments, both real and imaginary, hindering the contracting of services to private sector providers. These barriers are generated by both the public agencies and the private providers. Public agency officials tend to distrust the profit motives of private operators, while the latter often view the public authorities as unfair, heavily subsidized competitors who fail to consider the true economic costs of providing transportation services. In many cases, public transit operators compete head to head with private operators in violation of their UMTA charters. Transit authorities often conduct charters outside their certificated areas or at times when such charters are specifically disallowed, and they typically charge less than fully compensatory rates.

A recent ABA survey uncovered four basic problem areas which motor bus operators have consistently identified as ones making greater cooperation between public and private operators difficult. The are:

- Non-responsive bureaucratic rules, regulations, and authority;
- Inequitable cost comparisons between public-private operators;
- Inadequate service specifications upon which to base business and financial decisions; and
- Public agencies using tax dollars to subsidize public operations which directly compete with private operators and force them out of business.

Clearly, improvement is needed on two fronts. First, restrictions and impediments to greater private carrier participation must be removed; and second, private carriers need protection from incursion into their operations by subsidized public carriers. Public operators must be required to include the same cost considerations in their prices as private carriers.

CAPITOL'S EXPERIENCE IN PROVIDING COMMUTER SERVICE IN PENNSYLVANIA

Richard J. Maguire

Capitol Bus Company (t/d/b/a Capitol Trailways of Pennsylvania) has provided commuter services since its founding as a commuter operation 46 years ago. Today, both subsidized and non-subsidized commuter services are provided.

Since 1976, Capitol has participated in a deficit funding program on one of its lines of service, involving funds provided by the Federal and State governments, and channeled through two local authorities. Capitol's program was initiated by the Pennsylvania Department of Transportation. Local planning organizations have shown little initiative in including privately provided transportation in their plans. Local authorities have refused to share the local portion of subsidy funds or capital equipment grants due to their opinion that profit-making transportation companies are not entitled to share their funds. At the same time, some authorities have attempted to institute local subsidized transit service on top of Capitol's lines of service.

Capitol has initiated a profitable, non-subsidized commuter service on another line one year ago, where subsidized train commuter service was discontinued.

This profitable commuter service carries a mixture of commuter and non-commuter passengers a distance of sixty miles one-way on a highspeed toll highway. The non-profitable commuter service first mentioned also carries a mixture of commuter and non-commuter passengers, but the major

commuter load travels only an average distance of twelve miles, over local highways.

To attract private industry to providing otherwise non-profitable commuter or other passenger services, contract-by-bidding is recommended. Surely any bid price would include a return on capitol investment and a profit, which are not included in current subsidy methods.

CONTRACTING WITH PUBLIC AGENCIES

Ray A. Mundy, PH.D.

Contracting with Public Agencies is a consortium effort of three industry associations - The Airport Ground Transportation Association, the American Bus Association, and the International Taxicab Association - funded through a grant provided by the Office of Policy, Budget and Program Development of the Urban Mass Transportation Administration.

The primary objectives of this effort were to examine the barriers which presently hinder private transportation companies wishing to provide local public transportation services under contract to public agencies. The enabling legislation for UMTA and several G.A.O. reports state emphatically that private transportation operators should participate "to the maximum extent feasible" in the provision of public transportation services. However, only "lip service" and occasional consideration has been afforded private transportation providers.

The study details the private operators' fears, frustrations, and limited successes in dealing with local transit operators, state and federal transportation officials in attempts to provide services for public agencies through contracts. Experiences of the taxicab and bus industry are quantified in several empirical efforts and qualified in four case studies reported within. Also, reactions and interests of public transportation officials in utilizing private transportation providers through contracts is revealed in a state-by-state survey. Finally, the history of U.S.

Government contracting is reviewed in order to provide a framework for the final recommendations of the study.

Findings of the study indicate a much greater degree of taxicab participation in contracting for special transportation services. Typically, local and intercity bus companies have neither been asked nor adequately known how to participate and protect their rights to provide these services.

Recommendations were made to control the problem of:

- Non-responsive bureaucracy, rules, regulations, and authority.
- Inequitable cost comparisons between public-private operators.
- Inadequate service specifications.
- Competition from public agencies using tax dollars.

PART B

Institutionalizing Private Support for Public Transit:
    1982 TRB Annual Conference Session 139

Introduction
    Peter Everett, Pennsylvania State University, presiding

History of Private Support for Transit
    George Smerk, Indiana University

Framework for Private-Public Coventure in Public Transportation
    Vincenzo Milione, Urban Mass Transportation Administration
    Robert Enggist, Fordham University
    Theodore Ehrlich, Ehrlich Associates

Current Examples of Private Support for Public Transit
    John Crain, John Crain Associates

Employee Participation in Transit Passes
    Frank Spielberg, SG Associates
    Daniel Krechmer, SG Associates

Private Sector Perspective on Provision of Public Transportation
    Kenneth Orski, Urban Mobility Corporation

Urban Travel Agent and Other Futures for Private Support of Public Transit
    Peter Everett, Pennsylvania State University
    Barry Watson, Pennsylvania State University

NOTE: The above papers are transcripts from panel presentations and have been edited for the purpose of this report.

INSTITUTIONALIZING PRIVATE SUPPORT FOR PUBLIC TRANSIT

Introductory Remarks

Peter B. Everett, Pennsylvania State University, presiding

We have today an interesting session and an array of perspectives on the topic of private support for public transit. I would like to start out by a very short introduction.

I had the occasion last August (1981) to participate in a state transit conference. We wanted to have a session on private support for public transit. We went to the meeting without being specific on what we meant about private support for public transit. Immediately the discussions went this way, "O.K., Washington is not going to give us the money. The states are in trouble for money. Let's see if the private sector will give us money in a philanthropic sense. There were some attendees from private industries that were running funding institutions - private foundations and so forth - and the discussions turned to details such as the disinclination of private institutions and funding agencies to invest in service endeavors. Their preference is to invest in things, like an edifice that has the President's name on it that everyone can see for the next thousand years. We wondered if private enterprise would want to donate to bus service -- this headway, this busy running up and down the street has been brought to you by the Ford Foundation. They'd rather have their name on something that someone could see for twenty-five or a thousand years.

I give that as a background to what I hope this session will not do. We want this session to talk not about philanthropy. Rather, we want this session to focus on how the private and public sector can get together, shake hands and make a business deal that makes money for both parties. A business deal -- we might even call it entrepreneurial transit. We're not their promotors. We're not just out there begging for money. We have something out there in the streets, out there in the road, of value and we think we can make deals with people so that they will pay for this value that we have out in the streets. For example, some projects I've been involved in are as follows: In my small town, State College, Pennsylvania, which is a college town, we have a fifteen peak hour bus system. We have arrangements with several apartment houses such that we give one apartment house 900 passes, and another apartment house 1200 annual passes. Apartment complexes pay us, the transit system $50,000, $75,000, $40,000 a year for these bulk passes and the apartment houses, in turn, advertise in the newspaper, "rent an apartment in my complex and you have free transportation to work or to the University." If they didn't have that they wouldn't be able to rent those apartments -- at least not in our town. It is a business deal that gives us, the transit system, money and makes money for the apartment complexes.

In Toronto, another example, a private entrepreneur has erected, at his cost, several hundred bus shelters. All they asked for in trade was that they be able to lease out the advertising space on the bus shelters. TTC in Toronto got a tremendous economic benefit, hundreds of bus shelters built around town, at no cost. The entrepreneur that put up the bus shelters

invested thousands of dollars in each shelter -- they are very handsome -- but they are making money leasing out the advertising space.

In Spokane, Washington, I have been involved in a project sponsored by the Service and Methods Demonstration Program of UMTA where we have put little machines on buses, "one-arm bandits", essentially. People board the buses as normal; pay their fare as normal, and then after they walk past the farebox they pull the lever on the one-arm bandit and out comes a ticket. That ticket is good for discounts and exchange on merchandise at several downtown merchants. It is working its way up to 200 merchants. The merchants are knocking on the door of the program to get involved in the program. Right now we are not having to go out and solicit them at all, they want to get in. The merchants are claiming increased floor traffic, and increased sales. Ridership is up on transit. Every time they board the bus the average passenger is receiving, on the average, $1.47 worth of value. That's what the ticket is worth. You could take these downtown and have lunch for half price. One of the nicer hotels in town said if you had thirty of these tickets you got a weekend free at their hotel. We are figuring now that over the year the private sector is going to put up several hundred thousand dollars worth of economic benefits to the transit consumers of Spokane. The transit system does not have to really put up any money: they just have these little machines on their buses, and they only stand to gain. They gain increase in revenues because they have more riders and so forth.

In today's session we're going to try to cover the gamut of this entrepreneurial transit, handshake, private-public cooperation because it

was a good deal. We start with George Smerk, Professor of Transportation from Indiana University. He is going to give us a historical background on public-private cooperation. Is this something really new or is it something that we just haven't thought about for awhile because there was a lot of money in Washington. Look back to 20, 30, 40, 50 years ago. After George, Vince Milione from UMTA, will give his perspective on different frameworks in which we might view this private-public cooperation; what roles might people play; how can we foster this development. Then John Crain of Crain Associates follows. John gives us an overview of what is actually happening out there based on a quick overview of the national experience in private-public cooperation transit. Following John, Frank Spielberg and Daniel Krechmer, from SG Associates, Inc. review specific private-public cooperation endeavors and the surge in employer passes. They discuss why employers are involved in transit programs and the benefits to employers showing that it makes good economic sense to get into this sort of program, employer based subsidized transit passes. Ken Orski outlines the private-public perspective on the issues we are talking about. Then I am going to wrap up everything to try to give you some futures that I see in my crystal ball in this endeavor.

HISTORY OF PRIVATE SUPPORT FOR PUBLIC TRANSIT

George M. Smerk

Indiana University

A historical perspective on this issue means looking at an entirely different set of circumstances than are here today. Until about the last 15 or 20 years most of the public transit industry was a private enterprise itself. What may give the proper perspective is to consider those things that transit did in its private days, apart from the provision of regular transit service. Examining those things that had a bit of entrepreneurial spirit, if you will, for ideas. Many of these things could not be done today but considering this experience may provide some ideas that are relevant today. There is potential in at least five areas of either public agencies in transit in cooperation with the private sector or in cooperations with other segments of the public sector: sale of bi-products, equipment construction and maintenance, real estate development, specialized service, and advertising revenues. The last item -- advertising revenues -- is not discussed because in most areas the sale of advertising space on buses, street cars, subways and so on is reasonably well handled and has a very long and honorable history in the mass transit industry.

We start, then, with the sale of byproducts as a way of making extra money -- of increasing one's revenues. If we think back to the horse car days, being honest, manure was a problem, and what to do with it was a real problem. But entrepreneurship won out because many street car railway companies sold the manure to farmers and made themselves a handsome bit of

money. The Third Avenue railway in New York, in one year, realized as much as $13,750 from the sale of this byproduct of a horse car operation. Today, you can't even buy a decent car for $13,750, but it represented some 275,000 passenger fares.

In the early electric railway days, transit was usually the very first user of electricity in a community. The companies generated their own power. They could not buy it from any other source because no one else provided it, so they sold power in excess of that needed to operate their street car system. This was sold for community lighting, and to individuals, and eventually that became the dominant business for some operations. The electric public utility industry tended to become the parent of the transit in many parts of the United States. All through the history, the very well-managed transit properties, particularly, have sold scrap -- scrap metal, scrap everything. We may have gotten away from this in these days of public ownership with managers being a little less prudent than they may have been in the past. Anyhow, scrap metal, scrap materials of all sorts, scrap paper -- all of those reports you do for UMTA -- could yield a tidy sum of income.

I was fascinated to find that in the past, many transit properties had significant capability to build and rebuild street cars and buses. For example, the Twin Cities Rapid Transit around World War I, perhaps a little before and a little bit after, built special street cars that could stand the rather brisk weather that they have in Minneapolis and St. Paul. Duluth and a few other transit properties bought street cars from the Twin Cities Rapid Transit. They were actually in the car building business. In the

20's and early 30's Public Service Coordinated Transport in New Jersey built bus bodies. The chassis and engines were bought from various suppliers. They built their own bodies and they had the capability of building bodies for others. In London, the London General Omnibus Company had a bus building subsidiary. At one time they built Omnibuses and later on they built the AEC. The AEC (Associated Equipment Company), which had a long, honorable history in England of providing buses for London Transport and London General, was taken over but they built buses for anybody else who wanted them. We can translate that into today's situation. Think of the many larger transit properties have the capability for refurbishing and renovating buses. I could see a major property doing this sort of work for the smaller transit properties in the vicinity. Certainly refurbishment is going to be very big in the future. It would add to the revenues of the large companies. Many bus systems also have the capability of doing general diesel engine maintenance and repair work. For many years the Fort Wayne Transit System, when it was private, kept its head above water and was able to starve off, having to go public for at least a dozen years because they did general diesel engine maintenance for trucking companies -- the smaller trucking companies that did not have the capability. In San Antonio, for many years, the transit system has done the heavy maintenance work on diesel powered equipment for the city. They also do work on some of the other city vehicles. Here you have two public agencies, the city government and the transit system cooperating with one another, yielding a little extra revenue for the transit system and some savings for the city itself. It might be

economical for transit properties to repair and maintain heavy equipment for city government all over the United States.

Real estate development is another area, but this could be a very tender issue. In the 19th and early 20th centuries, street car operations in real estate went hand in hand -- one fed the other. For example, when they introduced the cable cars in San Francisco from the Embarcardero up to the top of Knob Hill the values of property on Knob Hill doubled and tripled overnight. Land values typically escalated as soon as transit service was introduced into a particular part of a city. Not surprising in an age innocent of private transportation that this would happen, but in addition to a street car system being extended and the property being worth more, people building houses and so on, many transit properties were actually in the real estate business. Land was purchased in advance of the extension of lines and major profits were earned from the increase in property values. In Cleveland, for example, it can still be seen today. The Vanswearan Brothers, real estate operators, wanted to develop what is now Shaker Heights, probably one of the nicest suburban developments in the whole world. They created the Shaker Heights Rapid Transit System to provide fast transportation from Shaker Heights into downtown Cleveland. Out on the Pacific coast, Henry Huntington who owned major pieces of land in the Los Angeles area, used the Pacific Electric Railway to help develop that land. He made profits from the sale of land, he made profits from hauling people back and forth from the new community into downtown Los Angeles. Another example is one that may really be needed today because of the gloom that is settling over the industry. Amusement parks were often built and operated

by transit properties. Properties actually owned cemetaries, too. That was very big in the 19th century. The amusement parks were profitable in their own right and made use of otherwise excess electric generating capacity to operate the various rides. Because their popularity in the summer and on weekday evenings, they helped provide a better balance of traffic. Not only was their admission charge to get into the amusement park and people travelling back and forth on the trolley cars, but also young couples going out to a dance or to the amusement park might be attracted to the property along the right of way to buy a house so the transit property would get future customers. The amusement parks were open year round and for dancing and dining. Some even had residential space. The entrepreneurial spirit was rather strong in this area.

One area clearly applicable today is terminal development -- the leasing of space for shops, restaurants and offices in terminal facilities. I think a classic case of this is 69th Street terminal in Philadelphia. Not only the elevated railway terminal but also the Philadelphia Suburban Transportation Company built the "new" terminal in 1936. There is extensive space for lease in the terminal. Many Japanese, privately owned interurban railways have their terminal in the city in a department store which they own. They get money from hauling people plus they have a place to haul them to -- their own department store, specialty shops, and so on. Today there is no reason why downtown bus transfer facilities which are common, particularly in smaller cities, could not have space to lease to cab operators, travel agencies, drug stores, or whatever. I am involved in a railway in northern Indiana right now and we are considering the idea of

having our new stations developed by the 7-11 chain, or something like that, under long term contract in order to provide a convenience to passengers. There would always be somebody there. It could be a neighborhood center and both the railway and the store could profit from this arrangement.

Perhaps less applicable than the development of terminal facilities at stations would be special services -- rather unique types of services offered by public transit in the past. As an example, mail car service, is feasible. In many cases streetcars had letter slots and this may still be done in Vienna. There was a small stipend paid by the post office department. Funeral cars were not unusual, many years ago, in large cities such as Baltimore and Philadelphia and this extensive operation was used in the elevated railway. In Chicago there were five cemetaries out to the west of the city. I don't know how the casket was gotten up to the el-structure, but they must have had strong pallbearers. At any rate this was an addition to revenue. Prison cars were operated by the street railways systems in Berlin, Germany and Montreal. Sightseeing was very common. Many cities had special street cars as well as buses set up for this. In more recent times in the District of Columbia, DC transit when it was still private, used some of their buses in off-peak as sightseeing vehicles. The bus drivers often drove limousines -- they had a limousine and delivery service -- so that they got better utilization of personnel and equipment. This is something that you can only do in a city that has something to show off. I cannot imagine operating a thriving sightseeing business in Indianapolis, for example.

Are any of the ideas that I have outlined here worth pursuing today or are they merely of historical interest? The point I was trying to make here is that there are innovative ideas in the sale of byproducts, the lease out of space and the development of real estate. The problem is that bureaucracy is extremely uneasy with entrepreneurial effort. The bureaucrats will have three fits and two conniptions and they lay in the corner and pant for a while if you come up and lay one of these ideas on them. This attitute disturbs me because it is not what business ought to be. If a public agency would say "That is a really great idea that we ought to do" and nobody else is thinking of it some private firms will say "Oh, we could do that too". You public guys are bad guys because you are public therefore you can't do it. We ought to do it." I don't really like that attitude, I think federal policy should aim at permitting and encouraging as much entrepreneurial spirit as possible. I would think in this administration that would be easily possible. I don't know.

I hope I have given you a few samples of the entrepreneurial spirit of transit systems in the past. Systems have been doing things other than just hauling people back and forth.

FRAMEWORK FOR PRIVATE-PUBLIC CO-VENTURE IN PUBLIC TRANSPORTATION

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The discussion presented by Dr. Smerk fits in quite nicely with the recent thinking at UMTA in this area. As a matter of fact, I was very pleased that he came up with five ways to develop private sector cooperation because I did too. Generally, in recent years there has been an interest by the private sector to actively and financially participate in public transportation demonstration projects supported by UMTA. The data from the Service and Methods Demonstration (SMD) projects indicate that the private sector's interest in transit extends beyond localized capital intensive strategies to providing community based public transportation accessibility; to maintain reliable employees; to attracting shoppers and promoting business activities. The SMD projects have demonstrated employer involvement with ride sharing, and transit pass distribution projects as a direct benefit to their employees -- reducing the cost of commuting, alleviating parking shortages, reducing parking construction and subsidizing costs, and providing a reliable supplement to peak hour auto travel. Merchants have initiated promotional transit fare incentives to attract off peak retail patronage. Real estate developers are implementing local ride sharing and transit circulation service to reduce the cost of parking space

required by zoning regulations. Private operations are emerging for private transit and premium fixed route services that are near break even or in some cases profitable. These and other innovative approaches of private sector involvement have been documented with the SMD demonstrations and local initiative.

The experience of the SMD demonstrations supports UMTA's vision of a public-private co-venture for needed transportation improvements. It is within this cooperative sphere of business-government relations where the greatest opportunities for mobility improvements lie. Transportation provides excellent opportunities to demonstrate that business-government cooperation can achieve mutually acceptable social goals and objectives. As the financial burden of the transportation investments shifts from the federal government to the state and local jurisdictions this will bring the private and public sectors in closer contact for discussing the urban transportation problem.

Another important impact of the reduction of federal funds will be that non-profit interest and social groups will work closely with private institutions and local agents to maintain needed mobility for special user groups such as the elderly, handicapped, and low-income. Economic incentives inherent in achieving mobility impact can provide higher efficiency and productivity levels in service delivery by focusing on the complimentary interests of benefits and overall cost reductions that make private-public co-ventures in public transportation attractive. The SMD program is integrating case study practices and innovative approaches of private sector involvement in public transportation into a comprehensive

research and technical assistance program for managing, financing, and operating local transit services with business support. The research framework that I will be describing now is based on research which has been done in the management and business sciences involving corporate social involvement.

The research framework of private-public sector involves an assessment of the private-public sector objectives and goals for public transportation. Although objectives may vary among joint venture programs there is a growing tendency for employers and merchants to promote transportation benefits as a part of engaging in normal business. Public transit agencies on the other hand are recognizing that the private sector organizations are direct consumers of transit services and promoters of various transit markets. The research framework looks at an understanding of the public-private sector roles. A dynamic role dichotomy is presented by limited and expanded participation of activities. A shift of involvement of one sector affects the role of the other sector in maintaining necessary transportation mobility for economic productivity. Historically, as Dr. Smerk mentioned, the role dichotomy has dynamically evolved from the private to public operations and support. In the 80's, many of the public transportation investments are expected to shift back to the private sector and user support.

Another aspect of the research framework examines the development of public-private sector economic investment strategy. Generally, the evaluation of investment strategies may determine the level of involvement of the private sector and the ability of providing the required

transportation impact on achieving urban mobility goals. Generally the private sector benefits and cost should be evaluated jointly with the public sector's benefits and costs for overall goal attainment and cost effectiveness.

A third aspect of the research framework provides a description of the private-public sector market segmentation. Generally, most of the projects that we will be hearing about today will be dealing with employees and merchants but we also have projects that deal with universities, parking management, and other factors. As the transit industry evolves to more transit market segmentation of fare and service levels through innovative transit fare prepayment programs and self-service fare collection, more targeted promotional marketing opportunities will emerge for various levels of private sector involvement among the business community.

The research framework characterizes various dimensions of private sector involvement and these are a little more general than those Dr. Smerk mentioned but I think they are in the same direction so we are somewhat reflecting historical precedent. There are at lease five different ways in which the private sector has or could be involved in public transportation programs:

1) Promotion, marketing and community support such as the marketing and information dissemination.
2) Revenue assistance such as employee subsidies and merchant discount programs.
3) Cost assistance such as cost sharing for specialized transit or employment center transit services.

4) Private operations such as taxis, specialized premium services, and others.
5) Equipment suppliers such as fare box manufacturers, computer manufacturers, and other technology transfer agents.

For example, the research framework applied to the demonstration program for pricing policies has provided results of private sector involvement strategies in the following areas:

Promotion fare reduction programs with employer and merchant assistant are being demonstrated in Scranton, Pennsylvania; Knoxville, Tennessee; and Albany, New York. Reinforcing continuing off-peak transit use with merchant discounts is being demonstrated in Spokane, Washington, and Bridgeport, Connecticut. Financing of downtown fare free zones by merchants to increase retail sales (Albany) and, employer pass distribution and financial assistance programs are being demonstrated (Jacksonville; Florida; Sacramento; California; and Duluth, Minnesota). Targeting to special user groups such as students is being demonstrated in Tucson, Arizona. Enhancing ride sharing options with employers is being demonstrated in Knoxville, Tennessee; Los Angeles, California; and Van Nuys, California. Reducing fare collection cost through private entreprenuers is being demonstrated in Sacramento, California. Other projects are in the process including other SMD programs which are demonstrating different areas of private sector involvement with private operations. Generally these areas include transportation brokerage, service contracting, userside transportation,

specialized service sponsorship, farebox revenue assistance, parking facility management, equipment and vehicle suppliers, and transportation cooperatives. Promotional brochures and evaluation reports from these projects and others are available (contact UMTA's Office of Service and Methods Demonstrations, ed.) In summary, encouraging private entrepreneurship of public transportation markets, while maintaining public mobility objectives is the way to go!

CURRENT EXAMPLES OF PRIVATE SUPPORT FOR PUBLIC TRANSIT

John L. Crain

Crain and Associates

I have prepared a little discussion in three parts. Part One is to tell you what the survey was that I did, and what its results were. In Part Two, I will run through the results of that survey which are really the substance of the discussion. This includes examples of cooperative ventures between private and public sector. In Part Three, I make a few comments on the impact of this change in the public role of government transportation agencies.

Part One begins with a warm sunny day last summer when a friend of mine discussed with me the need for some documentation of the cooperative ventures which are going on today and I agreed and decided to take that on and thought it might produce an interesting article for a business periodical. The methodology of the theory is very simple. I just got on the telephone and made about 30 or 40 calls to friends in the transportation world across the country -- Atlanta, Schenectady, Seattle and so forth. I asked two questions, "What public and private cooperative ventures are going on in your area? I would like to write them down. What do you think is causing them in your area?"

In the analysis I tried to trace the last thirty years of development of public transportation in the country and discuss how in the 50's we began to move from a solely private sector approach to public sector approach in a rather massive way. The history includes the buildup of buy-outs, the

creation of transit authorities, transit districts, the creation of a piece of the federal government to administer that area (UMTA), the changes of state DOT's, buildup of MPO's, this whole machinery that we have put together which we might call the public sector approach to administering and providing public transportation in the United States. The thrust is that we have built up to a period where we have massive machinery but we also have massive problems now -- as of the end of last year (1981) we had from all levels of government about a $6 billion subsidy for public transportation. I argue that in this massive swing, as we so often do in this country from a private sector approach to a public sector approach, we solved a great many problems, but we have built certain counterforces which are now pressing us back toward some kind of a greater involvement in public transportation of a mixed public-private sector approach. That is the thesis.

The support of that comes in the telephone survey and in the examples that I was able to find. For Part Two of the discussion I would like to run through some of those examples and support examples that have already been given by the previous two speakers. It is encouraging that they picked on other examples. I present additional examples that further support the arguments that have already been given by the previous two papers; that there is a real rise of this corporate activity. My contribution is that I have tried to categorize. I have put these areas of cooperation into nine areas, and I would like to click those off and try to touch on examples and causes.

The first two come out of the financial crisis today among the transit operators, coupled with the increasing cost of the commuter trip to the

passenger. The first one concerns transit pass programs which will be dealt at length in a later paper; transit pass programs by operators where transit passes are marketed through employers and then in most cases discounted to employees. The one statistic that I have is that in a 1981 Conference of Mayors survey, "58 percent of all transit properties now have these marketing programs through employers and the vast majority of those do have discounts involved." The second area of cooperation has to do with vanpool programs; employer based vanpool programs. Everyone in this room knows that there has been a rather dramatic, almost radical, development of these programs across the country. The number one cite is that in the State of New Jersey, New Jersey DOT is quoted as saying that there were 1,500 employer based vanpool operations at that time and another 6,000 other vanpools in operation. The sum total means that a considerable, significant market share of all New Jersey commuters are into this mode; vanpooling, which was essentially unheard of half a dozen years ago. I was very impressed with a presentation by the Bechtel Corporation in Los Angeles in which they described their 70-van program. They have a map of the routes of these 70 vans fanning out across the Los Angeles basin which is a vaster network of routes than many small transit systems.

I think there has been a monumental change in the attitude of employers. Fifteen years ago I was highly involved in the problem of transportation support to a federal program of hiring hard core unemployed persons. I was all around the country on a task force and we were making deals with employers to sign contracts to take on certain hard core unemployed people and train them. At that time, it was just universally true that the

employer's attitude was that, "My responsibility starts when the employee steps in the door; I am not responsible for how they get here". That is just a totally different attitude than today where employers do see a need to be involved in the commuting trip. I think that is one of the driving forces behind an attitude which allows this rise in employer-based vanpooling. Very productive work is being done by the ridesharing agencies around the country by building on the high cost of the commuter trip to the employee -- this is bothersome to the employer from a labor force development viewpoint -- but in the case of some transit authorities it also satisfies a need to shed some of the peak period trips and cost.

The third area of joint cooperation is the use of private carriers. A seemingly very successful program also touches on the substitution of taxi operations for bus operation at certain off hours. In a very successful program in Phoenix, Arizona, they are now going to a Sunday taxicab situation. Ann Arbor, Michigan has another very successful program. In Norfolk, Virginia, they have a program of terminating certain low patronage routes and substituting jitney service run by a private entrepreneur. Individual jitnies provide service on a contract basis on those low density routes at a lesser cost to the public than the large bus. The driving force here, of course, is reduction of the transit operator's operating cost.

The fourth area of development has to do with public-private joint development of capital facilities. A number of examples exists of joint building of terminals and the joint use of terminals. This is not new. What is new is the increasing prevalence of this at this time. A very interesting program is underway in Phoenix, Arizona, in which mini-terminals

are being built on shopping center properties. The shopping center provides the land. The transit operator provides the facilities, the landscaping, the lanes and so forth. Both parties benefit. The transit operator has gotten this mini-terminal. The shopping center has gotten a potential of new customers with direct access to their facility. Of course probably the largest program in the country is the New York Adopt-a-Station Program. This is a joint venture of very large businesses and the city transit operation to rebuild certain New York subway stations. The driving force there comes from the transit authority and the need to reduce the cost of capital expenditures by finding ways to share them.

The fifth area of cooperation has to do with increased transit authority and merchant involvement in transit promotional programs. A lot of that which was reported to me dealt with new ways to get together; to have passes supported by merchants. I can't really argue that there has been an increase there because it is hard to measure the past.

The sixth area of cooperation has to do with development of new office facilities and a city's willingness to relax parking requirements in exchange for the building developers long term commitment for the occupants of that building to participate in ridesharing programs. This parking management measure is being done in a number of cities. At this time the city of Los Angeles is going through a year of study and has concluded that a new ordinance will be enacted which will allow the zoning administrator to make deals with new developers relaxing parking requirements if a long term commitment to some form of ridesharing is made. This is a very complex program with a lot of controversy. In fact, the most important thing to say

is that Los Angeles is writing a new law which enables them to cut such deals. The driving force, certainly in the Los Angeles case, is the city's desire to keep new developments in the city, their competition with Orange County and the suburban neighborhoods, and their desire to continue to try to reduce congestion in their streets.

The seventh area that is documented is slightly out of the range of public transportation. In upstate New York there are reports of projects in which developers were paying new transportation infrastructure costs that were never paid for before. This includes even building access ramps to freeways, paid for out of developments funds. The developers provides access streets that they normally wouldn't pay for. The driving force behind this is that the developers who want to develop in a State that just does not have the funds for all of these facilities, must take on that cost and build it into his product.

The eighth area has to do with business task forces around the country which have found cause to come together from business community as lobbyists or catalysts to see certain public transportation or other forms of transportation activities go forth. Examples are in Arizona, Dallas, Texas, and New York, New York, and in Santa Clara County, California. I will just touch on the latter. There the big manufacturers -- the Hewlett-Packards, the Lockheeds -- have come together with a task force and have created a small staff directly intervening in the community processes to see certain transportation things come forward. Their three priorities are the problem of the high commute cost for their employees, the high cost of housing, and which is the high cost of health care in the area. Even though Silicon

Valley is terribly successful, there is a real problem recruiting young professionals to that area no matter what they pay. Every house costs $250,000. There is no place to live and commuting is expensive from the East Bay. That is the kind of issue the task force is addressing, and its representative of the kind of public-private sector involvement that is developing.

Finally is the practice of lease-back arrangements. An investment firm, a leasing firm, comes to a transit operator and says "I will buy the buses that you just bought or at least buy the local matching share of those buses and lease them back at a price in which you will come out ahead and we will come out ahead". I have a great emotional problem with this because of the windfall nature. This is kind of an involuntary federal aid to transit. The problem I see is that if we are viewing that as next round of transit subsidy through IRS I think it's past time that someone measured the overhead cost. What are we paying the private sector to route that money through that channel? It is an expense because the private sector does get more tax relief than they are spending with the transit operator. It is a problem that I have a great deal of trouble with. Maybe it's just emotional on my part but I think it's time that we all aired this and looked at it a little more carefully.

Part three of my discussion has to do with impact on institutions and I would like to just comment on the impact at the regional transit operator level. We all know what is going on at the federal level. I would like to comment on the regional transit authority level. Basically, I argue that we have seen movement toward a much broader type of transit authority; one in

which the mandate and responsibility and interest in the transit authority is trying to get more people and less vehicles regardless of whose name, if any, is on the side of vehicle. We are in the business of ridesharing. They are trying to economize; to have fewer vehicles on road to carry this massive particular peak period load of commuters. There are massive examples of this across the country. The driving force behind this new private/public agency concept is cost effectiveness within the increasing knowledge that the full-blown approach is proving too costly and inflexible to serve the small and unique trip demands that make up so much of today's urban scene. The time honored practice of market segmentation is being applied -- finding the right product for the right market segment. The private/public transit agency as I refer to it will support company based vanpools, contract with private carriers, including tax operators where they are the most cost-effective modes, provide a computerized match of persons interested in carpooling and orchestrate the many special transportation services provided by social service agencies. I paint the picture of this transit authority with this potpouri of services and forces that it tries to bring about. In support of this, Jim Echols spoke to our TRB transportation committee. He told about the work that he is doing in Norfolk, Virginia, and it is almost mind boggling*. It is a dramatic change in terms of the

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*See "Private and Public Transit Mix" by Jim Echols (Session 3) and "Productivity of Paratransit/Transit Services" by A. Jeff Becker (Session 4) of the Charlottesville summary proceedings.

substitution of jitney service for large buses. The statement that Jim made to me in an elevator a few months ago is "I now have three salesmen out peddling our battery of wares." To me it is just a whole new environment of a transit authority. It is very important, very noteworthy I think that a couple of months ago I gave part of this presentation to what we called the RTA in San Francisco, the Regional Transit Association. It is our group of general managers of the many San Francisco transit authorities. It concerned the view of the future. After the meeting every general manager in that room agreed with the projection. It is noteworthy that at the last APTA conference there was a special session on this changing role of the transit authority. It is noteworthy that they asked Jim Echols, who in many ways is leading this movement, to chair the session.

In closing, it seems to me that my own feelings are that this financial crisis that has settled over us has many upsetting effects and that it is far from over. I am sure there will be aggravating times with job insecurities.

I have emotional feelings about certain aspects such as lease-back, but also I see a much richer environment for all of us to work under. I think there will be a lot of fulfillment in seeing a cost effective system, and as a whole, a much more interesting and fascinating world of work in public transportation.

EMPLOYER PARTICIPATION IN TRANSIT PASSES

Frank Spielberg and Daniel Krechmer

SG Associates, Inc.

As with Mr. Crain, our material is based on a survey. Dan Krechmer traveled to many of the properties that are offering or are involved in programs that have employers either distributing or partially subsidizing transit passes. He visited not only with the properties in these cities but with the employers who were in the program and some employers who were not in the program so that we could get a good overview of why the programs work and how they work and what all the issues are. Picking up on Dr. Everett's opening theme on private sector efforts, we are really not talking about volunteerism or philanthrophy and we are not seeking contributions. It is a mutually beneficial exchange and our surveys and discussions with employers indicate that this is the only way it will work. Employers will only get involved in the programs if they perceive a benefit to themselves. They're not getting involved as a good will effort.

Employer participation in transit passes is perhaps the most direct form of private support for public transit. The concept works in several ways, it can involve the employer acting purely as a sales agent; it can involve a partial or full subsidy of the cost of a transit pass. For the transit operator it is an excellent method of targeting sales promotion strategies, and marketing a specific target population rather than broadcasting it over the entire potential riding population. To clarify, the types of instruments we mean when we talk about transit passes have been around for a

long time and most properties have some kind of a pass. It can be a monthly, weekly or yearly pass that allows unlimited riding to the bearer. Typically, in the employer sponsored programs it is the monthly pass that is involved although some others have used a weekly or simple ride instrument. Ticket or token programs which properties are popular with riders because there is no expiration date and often they can pass them on to somebody else in some situations. There is a concept which is old but is getting some renewed interest, which is the permit which has a lower upfront cost than a full monthly transit pass but requires that you drop some funds in the farebox every time you take a trip. The nice thing about this is the transit property gets some revenue no matter how many trips are taken during the month.

As with most pass programs there are always some problems. The employers programs have some of the same problems for the operator as any pass program. The transit property will worry about the program administration costs. When you get involved with employers the more agencies or organizations you are dealing with the more administration is involved. A mechanism had to be set up in these properties to smooth that. In a pass program there is the fear of many properties that when they discount the pass there will be a loss of revenue from existing riders. The employer programs are one of the major ways to help combat that. Finally, the problem that all transit properties have to be careful about today is the possibility that they may have to add peak hour capacity to serve these riders. The employer plans are of basically two types -- the sales outlet or the employer participation -- either one will require a marketing effort

by the transit operator. There have been some cities where the employers have come to the transit operator and demanded that he set up a program so that they can get involved. I would not wait for that to happen if I were an operator; I would be out there beating the bushes trying to sell this program. The sales outlet operation basically is just a way of facilitating the sales of a transit pass. It is a benefit to the transit property because it gets to the worker -- the potential buyer of passes -- more easily, if you can get the employer to pick up an option for a payroll deduction. This is done in many cases; it effectively keeps the patron in the program. You are hooked to it. It is like a book club. If you don't send it back at the end of the month you get it for the next month. An employer sales program also can help the operator control cash flow. Some operators seem to feel that this is a substantial advantage; others have not picked up on it. In fact, the operator is getting the money in at the beginning of the month before the rides are taken rather than after each ride is taken. They are also getting it in larger chunks. It covers the cost of transit rides for a month by many people rather than coins at the farebox every time a ride is taken. The sales outlet option, even though it does not get the full participation of the employer in terms of subsidy, does put the influence of the employer behind the transit program and suggests to the worker that this is a good idea. Sometimes the transit property will pay a handling fee to the employer or offer the passes at some discount to encourage them getting into the program.

The employer participation option is the one that is of more interest because it implies a direction that really gets private support into the

transit operation and also gives something to the employer. It expands the private sector role. It involves a direct contribution by the employer, as a fringe benefit, in much the same way that parking is provided as a fringe benefit to employers. By way of comparison, parking as a fringe benefit will cost about 9 to 24¢ per worker per hour depending on whether it is an open lot parking in the suburbs or underground garage in the downtown. The average we seem to be finding for the employer contribution to a transit pass runs about 2-1/2¢ per worker per hour. A transit subsidy can be from 4 to 10 times cheaper, than providing a parking space for an employee. The employer contribution allows the operator to set a pass price which represents the full cost of the rides rather than the discounted prices that are often offered for area wide passes. The operator can set the pass price high enough so that no revenue is lost. The passenger, however, still sees a reduced price and has much less concern over the lost days which often are an impediment to purchase of monthly passes.

We found at least 25 cities that had some type of program with employers contributing to the transit pass at varying percentages. In Des Moines, Iowa, there were thirty companies, some of which were averaging a 50 percent contribution to pass price. In Chicago, companies were contributing, on an average 43 percent at the pass price; Minneapolis, St. Paul, 37-1/2 percent at one company, 30 percent at another, 25 percent at a third. In Pittsburgh the contributions were as low as 8-1/2 percent, but a major bank program in Seattle has a 100 percent pass subsidy.

It is interesting to look at who uses transit passes. There is the daily commuter who can afford the monthly pass and wants the pass

convenience. Typically we found a pass offering 22 round trips a month has to be priced down to about 17 or 18 to attract this market. There is also the other market for transit passes composed of those who use transit for both the work trip and a significant number of non-work trips. Here again the transit property will often feel that if these people make lots of non-work trips, say 44-55 rides a month, the transit property is losing revenue by offering a pass. The employer programs are a way to expand the overall pass user population while avoiding some of these problems. The operator can stimulate off-peak use. He can also, unfortunately, stimulate peak demand. Some care is required and the pass can be used to target the programs to those specific areas where there is some capacity.

Why do the employers participate? One factor that we have found significant is the reduced use of restricted parking space. An employer is in an area in which parking space is limited. He can't expand it. It would be costly to expand. Parking can be costly in the downtown. He needs to find some way to cut down on parking demand. Many companies don't realize what it is costing them to provide parking for their employees. Operating costs for a parking space will run from $16 to $50 a month. To construct new spaces can result in costs in the area of $25 to $150 depending again if it is a surface lot or underground. The total is $25 to $150 per year per parking space considering the fully amortized costs. For transit passes, we have found that the employer contribution is from 72¢ to $8.00 per month; much less than a parking space. Employee relations are a major reason companies are getting into pass programs. Public relations are a factor. Often there will be a press conference when a company signs up for a

program. An article appears in the paper about company X, in this great public spirited venture to save energy, is showing its commitment to the community. We are also finding that it is a good way to attract and keep workers. In some cities we visited where employer participating has caught on, every one of the want ads in the Sunday newspaper states "transit provided" or "parking or transit pass available." It is a major factor in soliciting and keeping the kinds of workers these companies are after. Some employers report that in bad weather the people who have their transit passes tend to show up for work on time more readily.

Transit pass programs also give the employer a sense of budgetary control. If a company that has built a parking lot for its employees, must maintain that lot, pave it, shovel the snow in the winter, and keep it clean in the summer. The budget can take off. If the company is giving a transit pass and it feels the budget is getting out of hand, it has only to cut back the percentage of subsidy that the company is offering to meet whatever the budget has to be in that year. The company has more control over its resources.

What kinds of industries have caught on with the transit passes? The best ones we have found are those that have a large clerical labor force. They are relatively low paid; need to ride transit; often don't have access to a car, and even if they have access to a car they don't want the bother of having to drive everyday. They don't want to shell out the funds needed for parking in a downtown area. The types of companies that are in transit programs include, insurance -- a prime candidate -- banking, public utilities, large corporate offices, government -- though there are some

problems in getting government involved because they don't have the flexibility as to how they spend their money that a public corporation will have -- and hospitals, although with hospitals coordination will be needed for shift work because sometimes an employee will be on a shift where transit service is not available. The effects on the transit property are similar to those in any pass program with some administrative costs and some revenue loss depending on the pass cost and the price and the employer participation. But the pass program does serve to promote a positive image of the companies and of public transit. Typically, when a company signs up there is a press release so that transit is kept in the news in a very positive way, stimulating the "bandwagon" effect which has been found in most of the communities that have gone into employer subsidized programs. One company will sign up and receive good press. Another company comes along and pretty soon there is pressure on other employers to get on the program, to offer this as an employee benefit.

It need not be a large transit property to be involved in a pass program. One of the more successful ones is the Berks Area Transit Authority in Reading, Pennsylvania, which has sixteen employers participating in the program. At the other end of the spectrum Chicago has over a thousand. An employer pass program can work in all types of cities.

As an example of the level of participation found we cite Dallas, Ft. Worth with a pass price at the time we did the survey at $15.00. The pass was sold to an employer for $12.50, if the employer also would contribute another $2.50 so the price to the worker was $10.00. It was a $10.00 pass for the worker whereas the single price fare would have been $17.60. This

is a good example of how working through the employer allows the transit property to set up a pass at a price that is high enough to recover the full revenue that would be garnered had all these people dropped their quarters and whatever in the farebox and yet make it attractive enough to the rider that they will feel comfortable in purchasing the pass without worrying that, "I am going to be out of town two days, or I am not going to come to work, or I will be sick and I will lose the investment in the transit pass."

The permit is particularly suitable for this type of system because it is very clearly defined cost elements -- the initial purchase price and the fare drop at each use. The employer can provide the permit which is the entry into the system but the employee contributes his share every time he takes a ride.

To summarize, some of the reasons of the growth of employer-paid transit passes include high parking costs primarily in the CBD but also in other locations, the promotion of energy conservation programs, fringe benefits to employees which everyone knows is an important issue, reduced cost to the transit property -- both in the mechanism of selling and distributing the pass but also in the fact that you don't have to discount the pass so heavily to get people to buy it -- the convenience to the employee and the overall trend towards prepayment of transit fares, particularly when you start to get fares that are approaching and exceeding a dollar.

PRIVATE-SECTOR PERSPECTIVE ON PROVISION OF PUBLIC TRANSPORTATION

C. Kenneth Orski

Corporation of Urban Mobility

A more accurate title to this discussion would be perceptions of private sector perspective. I am not sure that I would be presumptous to speak for the private sector. Indeed I am not sure anybody and any single individual could speak for the private sector as if it were some sort of monolithic interest group. I will merely present my perceptions of what I see as attitudes, changing attitudes, in the private sector. I build my presentation around two examples of private sector involvement; examples which I think illustrate the emergence of the private sector as a more active partner in providing local transportation. I will first describe those two initiatives and then try to draw some conclusions from them about what it all means and what it projects for the future.

The two initiatives I describe are among several dozen examples which I have collected in the last six or eight months as part of a systematic effort to survey and better understand the extent of private sector involvement in transportation. The survey, incidentally, was sponsored by a group of private foundations which were interested in knowing and understanding better what should be the role of the so called independent sector, that is basically the nonprofit sector, in the whole issue of transportation provision. My inquiry involved interviews with a lot of different actors, private developers, chambers of commerce, business and civic associations, private employers, corporate executives, and also some

of the interest groups in which these people participated such as the Conference Board, the Urban Land Institute, the International Downtown Executives Association and so on and so forth. I found much to my surprise more examples of this kind of private sector involvement than I had thought existed. Unfortunately, most of them have never really entered the professional literature or the technical literature. In fact, I have been amazed again and again at how many of these very innovative efforts at the local level did not receive any national attention or even regional and local attention. The way to find out about them was basically by word of mouth. Talking to a lot of people, tracking down references -- sometimes very allusive and very vague references of the type "I understand in such city there is something like that going on." So it did involve a lot of detective work. I think TRB ought to give some thought on how better to disseminate and find out about this whole wave of new efforts which seem to be conducted almost underground -- at least underground as far as the profession is concerned. My inquiry incidentally was a strong factor in the decision to find this new venture, Corporation for Urban Mobility, which is a non-profit foundation supported initiative whose aim is to encourage, provide insight and facilitate public-private cooperation in the transportation sector.

My first model is one that has been extensively reported in the local (Washington, D.C.) press. I refer to Tysons Corner which is a suburban center about 15 miles northwest of Washington and which 25 years ago was just a small general store, a beer joint, and a gas station -- sort of a crossroads. Today with over 9 million square feet of office space, Tysons

is a bustling city. It is a true city, almost with its own downtown. Tysons sort of formed around a regional shopping mall but today, in addition to the shopping mall, it contains two office parks, a host of hotels, restaurants, banks, insurance companies, and significantly, some residential housing and some apartment houses. Tysons' daytime population consists of about 25,000 people who come to work mostly by car, in single occupant cars. Some 20,000 automobiles come into Tysons day in and day out. Twice a day they create a rather serious traffic problem which is compounded on Saturday and Sunday by the shoppers who flock to the shopping mall. What makes the dilemma even more acute is the fact that despite the traffic congestion, Tysons is still growing explosively. Currently, it is adding some one million square feet of office space a year which translates into an additional 4,000 new employees and 3,000 new cars every year. You can imagine at this rate, extrapolated into the late 1980's, Tysons will approach some 35,000-40,000 people and probably 30,000 automobiles, without the possibility of major road improvements because the land is already intensively used.

The present situation, compounded by the prospect of even bigger traffic problems ahead, has sparked the local business community into action that is a rather unique example of private sector initiative supported by but taken independently of the public sector. Fifty of the largest companies at Tysons -- and there are some biggies like IBM and Planning Research Corporation, Equitable Life Insurance Company and so on -- banded together and with the support of Fairfax County formed a non-profit association called Tysons Transportation Association (TTA). The purpose of the

chartering corporation was to take such steps as may be necessary to improve transportation conditions at Tysons Corner. The organization has a very broad mandate to do something about the transportation problems at Tysons. The members of that non-profit company assessed themselves an annual membership fee of $5.00 per employee and one cent per interior square foot in the case of building owners and with that money, plus some expected anticipated revenues from advertising on their buses, they have launched a twin program consisting of: a) a multi-employer vanpool service for commuting employees, and b) a free shuttle bus service for the daytime convenience for the residents and the visitors alike.

One reason behind the shuttle bus was the thinking that if the vanpool became indeed successful a lot of these people coming in would be stranded during the day because it is virtually impossible to walk at Tysons Corner. The distances may be small but there are so many six lane highways to traverse and overpasses and underpasses that you are basically a prisoner of the place you work. So for the daytime convenience of its employees, TTA has introduced the shuttle which will presumably provide mobility to the employees who work there but also enable the thousands of people who flock there as visitors and shoppers to circulate freely within Tysons. In this way they hope to link Tysons more closely together and form a more cohesive community. TTA's target is to remove some 45,000 cars from the road by 1986 while expanding internal mobility and giving the community more cohesion. Here is a venture which was undertaken pretty much on the initiative of the private sector although the county did certainly play a role. In fact, the

county even contributed $10,000 as seed money but it is basically a business led, private sector led initiative.

Let me give you the second model. The second model also comes from this area but here the cost of characters is different. It involves the County of Fairfax and a large development company which wants to build a huge four million square-foot development consisting of an office park, a shopping mall, a 500-room hotel and 700 residential units about 20 miles out west of here. Realizing that this massive development would have a very severe impact on the local roads, county officials have made the approval of the zoning permits conditional on several commitments from the developers. The agreement calls for the developer doing five or six things. First of all, the developer must pay for the cost of grade separation at the access point to this new development and that means building ramps, overpasses, exits, and whatever it takes to separate the through traffic from the local traffic. Secondly, the developer has to establish a ridesharing program for employees and hire, at his own expense, a transportation coordinator who will manage the program. A good question is how this ridesharing program will be enforced, especially as the developer bows out and new actors come in, but that is another question. The contract does call for the developer to establish and maintain, presumably in perpetuity, a ridesharing program. Thirdly, the developer has to set aside preferential carpool/vanpool parking again to encourage and support the ridesharing program. Fourth, he has to institute a pay parking policy as an incentive for ridesharing. Those employees who will not rideshare will have to pay for their parking slot. Fifth, the developer must encourage mass transit by construction of bus

shelters at the periphery of the development. Finally, the developer has to set up a peak-hour shuttle bus service to the nearest Metro station when it opens. In addition there are some further conditions about conducting periodic traffic surveys to provide additional transportation measures, TSM type improvements, in order to reduce the effects of any traffic above certain estimated levels. This is a very far reaching agreement which involves the development company in commitment that may extend literally into millions of dollars and yet there was that incentive presumably on the part of the developer -- otherwise he would not go into a formal agreement of this kind to do so.

Now what kind of conclusions can I draw from this statistically significant sample of two? Let me give you three suggested conclusions. One is that altruism plays virtually no role in these initiatives; I would even cross out the word virtually. Altruism plays no role in these initiatives; they are motivated by what is quickly becoming a new buzz word and that is "enlightened self-interest". As far as I can gather the difference between enlightened self-interest and just plain old garden variety self-interest is that in the former case you don't necessarily expect a return on your money in the next 12 months or 24 months. But you don't do it as a philanthropic measure. You do expect some benefit even though that benefit may be spread over time; even though the developer or the businessman, the landlord, or even the tenant has to take a somewhat longer perspective and is satisfied with a slower return on his money. Secondly, there needs to be a catalyst, an individual, a civic or business leader such as Bob Etson, Chairman of the TTA Association at Tysons, who

commands the respect of his peers and who can mobilize the business community into action. Or it can be a farsided local official such as Jack Harrity, who is chairman of the Board of Supervisors in Fairfax County, who actively reaches out to the private community and encourages innovative public-private relationships. There can also be an intermediary organization which promotes this kind of function; a neutral agent, as it were, who might service as a sort of a marriage broker between the public and private sector and help to build bridges between those two communities. Quite frankly this is really the underlying motivation behind the Corporation for Urban Mobility. We want to be that kind of intermediary institution, a neutral agent that can build bridges between these two sectors.

I don't see these new relationships as displacing either traditional transit or even private support of transit of the kind that Mr. Spielberg, for example, has talked about where the business community in some way in kind or in cash supports traditional transit. Rather, I see these new initiatives as a new form of private sector involvement; a form that so far we see a very emergent state which I think in the future may play more and more important roles as these new models become more accepted, more known and more trusted than they have in the past.

URBAN TRAVEL AGENT AND OTHER FUTURES FOR PRIVATE SUPPORT OF PUBLIC TRANSIT

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I would like to wrap up the discussion of private sector roles in public transit with a projection of some of the futures I see happening in this area. The way I present this is to spin out a couple of scenarios, in somewhat detail, and then talk about some general principles to which I think we must adhere to foster this public-private co-venture. The two scenarios are as follows: The first one is a continuation of the Spokane experience that we introduced in the opening discussion. In Spokane all the buses have these little one arm bandits on them. Passengers board the bus, pay their fare as normal, pull the slot machine lever and out comes a ticket. These tickets are worth discounts at up to 200 local merchants that are participating. The average rider is getting about $1.47 worth of economic value every time he or she boards the bus. The merchants are putting up the total cost of providing these benefits. They view it as a way of getting people in their stores, to increase customer traffic and to increase sales. Merchants want to join the program. By design one peripheral shopping mall was excluded at the start of the program. They were going to sue for the right to participate in the discount program. It looks like several hundred thousand dollars of benefits are going to be given by the merchants to the bus riders.

At present, the operating management costs are paid by UMTA Service and Methods Demonstration funds which were used to get the program going to manage it, to collect data and to see how it runs. What we are trying to do is to evolve the program so it is totally self-supporting. Let me give you a brief account of how we think we can do it. Roughly 100,000 people a month get these tickets in their hands. Right now we just ask the merchants, "What do you want to discount this month?" and we advertise that broadly. The program materials say at this restaurant if you bring two tickets you get your lunch at half price, etc. The operator, using UMTA demonstration funds, pays the cost of producing the materials. The merchants pay for the discounts. What we hope to do is something like this, to say to the merchants, "On a monthly basis it will cost you $50 to join this program". Maybe $75 will be charged. If we have 200 merchants involved in the program the monthly fee for joining the program will yield $10,000-$20,000 per month. That amount will easily pay for the management of this program. The funds also amortize the cost of the machines; it will pay for all the advertising and all the other costs and, perhaps, yield a profit.

This should be very attractive to merchants because one single small newspaper ad costs a couple of hundred dollars; a classified ad for a weekend costs easily $10-30. For $50 a merchant could join this program and be guaranteed that 10,000 people will get a ticket in their hand that says if you take this ticket to this restaurant you will get this benefit. So far $50 the merchant gets a very direct promotional endeavor. This has been explored with the merchants and they are very interested. They don't seem

to be baulking at the idea of a monthly fee, so that's the way the program will evolve. My crystal ball tells me that you might even see a little company that goes around with 100 ticket machines in the back of its truck. This company comes to a transit system and offers to put these machines on the buses at no cost to the system. The company offers to maintain the machines, offering to the transit system in return good customer relations, and perhaps more customers, on the bus because the patrons want to get those tickets out of that machine. Because the system will have more customers on the bus paying fares, they would gain revenues at no cost. This private entrepreneur with the truck going around to cities putting the machines on buses would charge the merchants to join up in this program. The entrepreneur would coordinate the whole thing, advertise it and make its profit. There is a real opportunity; just one small example of how private entrepreneur can make money with involvement with transit. It is good for transit. It is good for the relationship between the private and public sector, and everyone benefits from that.

The other scenario that I would like to spin out further, which is a little more hypothetical at this time, is the following -- what I call the urban travel agent. Let me give you a very short background as to how our thinking on the urban travel agent evolved. There is a lot of action in the area of employer involvement with some employers getting interested in subsidizing transit passes, as Mr. Spielberg's paper outlined. Other employers are setting up vanpools and so forth, but for the most part these are large employers that can assign the duties to someone in their personnel department, or they can even assign a full time person to the transportation

relations with their employees. Yet there are many small firms, small business with 5 employees, 10 employees, 30 employees and so forth that can't assign their personnel to this sort of duty. These small firms just don't have the resources to do it. Intermediate size firms, probably the majority of firms, can't plug into these sort of benefits because they don't have the resources in their personnel departments to manage such programs.

That is one perspective that leads me to the urban travel agent. Another perspective is that urban travel is very complex. The costs of urban travel are not apparent. Cost data from Hertz show that it costs 38¢ to 45¢ per mile to operate your private car. Citizens, consumers of automobile transportation, don't realize that. There are many options but people may not be making the best choices. Alternatives are not obvious and information about alternatives is not readily accessible. In other words, people are making very bad choices because of lack of information and lack of access to good information. Clearly many more dollars are going into urban transportation as compared to inter-urban transportation; yet in inter-urban transportation, because of the complexity of travel, we have travel agents. Go in the corner store and they will plan a trip for you. They tell you the best way to get from Washington, D.C. to San Francisco, California, from State College, Pennsylvania to Washington, D.C., from New York, New York to Seattle, Washington. They plan the arrangements for you. Why don't we have the analog at the urban level?

What I am proposing is exactly the same as the inter-urban agent -- a corner store, the urban travel agent. It could be part of an existing inter-urban travel agent. They sell services; they put resources together

and they are in the business to make money. Let me outline very briefly how some of the things they might do and how they might make money by doing these things. How might they make money by lining up people with transit passes or getting people into transit. First of all they could sell passes. The urban travel agent could sell transit passes to individuals, to employers, and could provide the management service of an employer pass program to smaller companies that larger companies could normally do themselves because they have the personnel and the staff to do it. The urban travel agent could come into a 10 person company and say, "I will coordinate your vanpool program. I will coordinate your transit pass program for a small fee." The urban travel agent would make money by selling transit passes. The transit system would discount the passes to them and then the agent could sell them at the over-the-counter price and make their money. I have spoken to a couple of different transit systems and they would discount to me transit passes if I were a private agent selling and marketing transit passes for them. Some transit properties say, "Yes, that would be great. We don't have to assign our personnel to that function". Other transit systems have said, "We are prohibited by law to discount to certain individuals but I tell you what I will do. I will give you bulk transit passes at the going rate but I will also give you a 30 percent of my advertising space in the bus so you can work a deal that way". Then you, as the urban travel agent, turn around and resell that advertising space.

The urban travel agent could coordinate special arrangements with the transit system. They could act as a charter agent for sightseeing use of

transit system vehicles, for charters and so forth charging a service fee or commission for their services. The urban travel agent could sell or could disseminate transit information. They could tell you how to get from here to there. They really would not make money on that but that might be a nice promotional endeavor to just simply get people in their office to sell other things. Another area the urban travel agent would get into would be ridesharing. Again, ridesharing seems to be evolving from two perspectives. The large companies that have personnel that they can assign to this can develop a ridesharing program; government agencies are also assisting in setting up ridesharing programs. I think the vast middle ground is left out -- the companies that cannot assign personnel to this duty of creating a ridesharing program. Although governmental agencies attempt to fill this gap they are slow and bureaucratic and can't get going fast enough. I think the urban travel agent could be this agent in the middle that could get people who stop in their store and could go to small companies, small merchants and say, "For $50 I will arrange vanpools for your employees," or "I will arrange a vanpool for $5 a head." They could not only arrange vanpools but they could manage the resource. They could actually lease the vehicles. They could make sure that the matching programs worked, market the vanpooling program and get people in the program. They could send out monthly bills to the participants of those vanpools charging the consumers of vanpools a 10 percent service fee on top of the monthly bill for their coordination and management services. The most interesting thing that I would like to see the urban travel agent get into relates to the pluriferation of the personal computer. I see this

urban agent, this corner store, having an Apple or a little IBM personal computer, or whatever, with some fairly simple algorithms and routines in it such that a person can come in during their lunch hour -- maybe with a coupon clipped out of the newspaper that says "Special today". For $6.95 we will analyze your travel needs and tell you how to make your urban travel most efficient. Tell us how many cars you have. Tell us where your wife has to go, where your kids have to go and what your travel needs are. We will plug that into our little machine and tell you what to do." The answer might be that the only thing you do is have five cars. Alternatively the answer might be to sell the third car and buy a transit pass, which the agent can sell on the spot. The answer might also include, "You ought to be taking this route to work" or, "In my computer I have three people over here that are looking for ridesharing. The agent could sell not consulting services but counseling services -- transportation counseling services almost on the model of a therapist.

People have a lot of problems. It is creating a lot of stress. People are spending a lot of money. There are budget counselors; there are mental health counselors. Why don't we have transportation counselors? It is a big part of our life; it is a big part of our budget. I think I could make money by selling transportation counseling to individuals at my corner urban travel agent store. The agent could also counsel corporations. This is something that Ken Orski's group is doing. You could not only have individuals come into the corner store and run some of their needs through the Apple computer and hold their hands and help them out but you could go out to corporations and advise them how might they best deal with the

transportation needs of their employees, so that the employees are happy and they maintain their workforce. There are a variety of services that the urban travel agent could sell to make money and in the end promote better urban travel for the community.

I even see that once this urban travel agent gets going it could be franchised. There could be the golden arches of urban travel agents all over the country. ("8 billion trips served!").

Well, let me try to summarize what I have to say to enumerate what I think are some essential elements to make this public-private co-venture successful. First, we have got to get away from the mentality that because we have had some big funding for the last 20 years, a public revenue source is going to provide money for transit. Transit must become more entrepreneurial. It has got to look to how the public sector can shake hands with people and make economic deals. I think a lot of people in urban transportation are a little bit down right now because they see traditional avenues of funding drying up. That is intimidating, but I think that we can be creative and look at new nitches. The nitches are going to be smaller and we are going to have to be more creative but they are going to be more fun. I think they are going to be more fund for the creative individual to carve unique and probably smaller but creative nitches. I think two of the most absolute necessary essentials of fostering and making sure these public-private endeavors work is that the public sector not be perceived as imposing an idea on the private sector. That's the absolute worst thing we could do. This is a co-venture spirit. The public sector has got to come out and sit down with the private sector as equals across the table. "What

can I do for you? What can you do for me?" Work it out and make sure that it is perceived and is indeed owned by the private sector as it is equally owned by the public sector. Make sure that it is not some government program saying, "Here's the way to do it. Sign on the dotted line and you will be happy forever." They have got to help us design it and in reality it has got to be their program. That is to what I really credit the success of the Spokane project. That we went out with a rough idea and said to the merchants and the Chamber of Commerce out in Spokane, "You know what, if we would give away tickets on buses that is good for merchandise in downtown stores we think we can give you more business." We talked to the businessmen and we said from there, "You guys are the merchandisers. You design the program for us. We have got the concept." We created a board of directors from the community. It is their program. They meet once or twice a month and make all the decisions. They run it so it is their program and because of that there is lots of enthusiasm.

The other critical element for the success, maintenance, and long-run viability of these problems is reciprocity of benefits. The only reason that someone from a private sector enterprise is going to go into this endeavor is not out of good will or out of philanthropy because they are going to get their name on a slate for the next thousand years. If you really want the program to be maintained and institutionalized there must be those continuing daily benefits, whether in dollars or whatever, and there have to be the benefits to the customer who is involved in this and to the transit system. Those benefits have to be reciprocal. They have to be always there and all parties involved have to benefit from the program. To think that business should do it just because of their corporate social responsibility will get you nowhere.

APPENDIX A

CONFERENCE ON PRIVATE-SECTOR ROLE IN PUBLIC TRANSPORTATION

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August 8-11, 1982

Transportation Research Board
National Research Council

in cooperation with the

Urban Mass Transportation Administration
U.S. Department of Transportation

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DOT-I-85-17

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